# CITY OF OREGON CITY
# CITY COMMISSION WORK SESSION AGENDA

Hanlon Commission Chambers, Libke Public Safety Facility, 1234 Linn Ave, Oregon City
Tuesday, August 12, 2025 at 6:00 PM

*Typically there are no public comments at work sessions, but written comments are accepted by:*
- *Email recorderteam@orcity.org (deadline to submit written testimony via email is 3:00 PM on the day of the meeting)*
- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045*
- *You may also attend this meeting by watching the livestream on the City's YouTube Channel:*

*https://www.youtube.com/user/CityofOregonCity*

## 1. CONVENE MEETING AND ROLL CALL

## 2. GENERAL BUSINESS

a. Recent Housing Legislation

b. Compatible Change- New Construction Review in Historic Districts

c. Downtown Parking Discussion

d. Discussion of Non-Taxable Properties

## 3. FUTURE AGENDA ITEMS

a. List of Future Work Session Agenda Items

## 4. CITY MANAGER'S REPORT

a. Project Updates

## COMMITTEE REPORTS

a. Commissioner Wilson
- Citizen Involvement Committee Liaison
- Homeless Solutions Coalition

b. Commissioner Smith
- Clackamas Heritage Partners
- Destination Management Marketing Organization
- South Fork Water Board

c. Commissioner Marl
- Citizen Involvement Committee Liaison
- Clackamas County Coordinating Committee (C4)
- Clackamas County Coordinating Committee (C4) – Metro Subcommittee (alternate)
- Clackamas County I-205 Tolling Strategies Committee
- Metro Policy Advisory Committee (MPAC) (alternate)
- Youth Advisory Commission

d. Commissioner Mitchell
- Clackamas County Coordinating Committee (C4) (alternate)
- Clackamas County Coordinating Committee (C4) – Metro Subcommittee
- Downtown Oregon City Association Board (alternate)
- South Fork Water Board

e. Mayor McGriff
- Arts Commission
- Ad Hoc County Old Historic Courthouse
- Clackamas Heritage Partners (alternate)
- Clackamas Water Environment Services Policy Committee

- Destination Management Marketing Organization (alternate)
- Downtown Oregon City Association Board
- Metro Policy Advisory Committee (MPAC)
- South Fork Water Board
- Willamette Falls and Landings Heritage Area
- Willamette Falls Legacy Project Liaisons
- Willamette Falls Locks Authority

## 6. ADJOURNMENT

**ADA NOTICE**

The location is ADA accessible. Hearing devices may be requested from the City Recorder prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503-657-0891.

**Agenda Posted at City Hall, Pioneer Community Center, Library, City Website.**

**Video Streaming & Broadcasts: The meeting is streamed live on the Oregon City's website and available on demand following the meeting. The meeting can be viewed on Willamette Falls Television channel 28 for Oregon City area residents as a rebroadcast. Please contact WFMC at 503-650-0275 for a programming schedule.**

625 Center Street
Oregon City, OR 97045
503-657-0891

# CITY OF OREGON CITY

Staff Report

**To:** City Commission **Agenda Date:** August 12, 2025
**From:** Pete Walter, Planning Manager

**SUBJECT:**
Recent Housing Legislation

**STAFF RECOMMENDATION**:
Listen to a presentation by City Attorney Carrie Richter on recent state housing legislation and ask questions as warranted.

**EXECUTIVE SUMMARY**:
There have been a number of housing bills approved by the Legislature this session. Some of them will impact the city. Ms. Richter will provide background information and her best recommendations on how to address the effect of these bills on the city's review process.

**BACKGROUND**:

**NEXT STEPS**:

**OPTIONS:**

CITY OF OREGON CITY

625 Center Street
Oregon City, OR 97045
503-657-0891

Staff Report

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|---|---|---|---|
| **To:** | City Commission | **Agenda Date:** | August 12, 2025 |
| **From:** | Christina Robertson-Gardiner, Senior Planner<br>Pete Walter, Planning Manager | | |

**SUBJECT:**
Item 2.b. - Compatible Change- New Construction Review in Historic Districts

**STAFF RECOMMENDATION**:
Review the Historic Review Board's policy approach to amending OCMC 17.40 Historic Overlay District, to revise the threshold for requiring review from the Historic Review Board for new construction, and determine if the proposal should move forward with the Type IV legislative adoption process. If the City Commission provides direction to move forward, staff and the Historic Review Board will return at a future worksession with recommended redline code and a draft HRB policy to allow for small dwellings to be approved at the building permit level.

**EXECUTIVE SUMMARY**:
This spring, the Historic Review Board (HRB) discussed potentially amending city regulations covering alterations, additions, and new construction in the McLoughlin Conservation District (MCD). The District, a subset of the larger McLoughlin Neighborhood, was first designated in the 1980s when the code language was adopted. The code stipulates that any additions exceeding a specified square footage, as well as any new freestanding construction larger than a small garage, must receive approval through a public hearing by the Historic Review Board. The regulations intend to allow change but not lose any historic buildings. The City is evaluating the code language and whether it strikes the right balance for the neighborhood.

This project was initiated in 2020 to address the perceived lack of specificity in the definition of NEW CONSTRUCTION, which triggers the Historic Review Board District's review of projects in the McLoughlin Conservation District. However, the project was put on hold in 2022 due to a staff changeover. In 2024, the Historic Review Board restarted the project as part of their 2023-2025 work plan.

Reviews of exterior alterations and additions to locally designated buildings are not included in this project and will not be affected by it. This project solely examines when changes to non-designated, non-historic resources necessitate review and potentially exempt small stand-alone dwellings.

### Summary of Proposed Changes

1. Look-back provision of 2 years to ensure work is not done just after completing a new construction project without Historic Review.

2. Alterations that increase or decrease roof height trigger HRB review.
3. Cap of 30% addition calculation of 700 SF for larger buildings.
4. Utilize the existing code definition of footprint to provide direction on how to measure additions.
5. Ground-floor decks are exempt from the 30% additional calculation.
6. Upper-story decks of 50 SF are exempt from the 30% increase; second-floor decks larger than 50 SF are included in the 30% increase clarification.
7. New small freestanding dwelling units with a footprint not to exceed 500 SF and a height not to exceed 15' are allowed as a Type I staff review and must meet a New HRB policy #13.
8. New freestanding accessory buildings (non-habitable) may have a footprint not to exceed 310 SF and a height not to exceed 15'.

HISTORIC REVIEW BOARD'S RECOMMENDATION TO THE CITY COMMISSION

The HRB approved the recommendation at the June 24, 2025, meeting and will present its recommended approach to the City Commission at the August 12, 2025, City Commission Worksession, requesting approval to move forward with the Type IV Legislative adoption process. This process requires public hearings with the Planning Commission and City Commission, the final decision-makers in adopting ordinances and revising the municipal code.

A summary memo of the policy and process is attached to the agenda.

**BACKGROUND**:

Background information can be found on the [Compatible Change Project Page :]

**OPTIONS:**

Provide staff feedback on the requested items

**BUDGET IMPACT:**

695 Warner Parrott Road | Oregon City OR 97045
Ph (503) 722-3789

# COMPATIBLE CHANGE- NEW CONSTRUCTION REVIEW IN THE MCLOUGHLIN CONSERVATION DISTRICTS

This spring, the Historic Review Board (HRB) discussed potentially amending city regulations covering alterations, additions, and new construction in the McLoughlin Conservation District (MCD). The District, a subset of the larger McLoughlin Neighborhood, was first designated in the 1980s when the code language was adopted. The code stipulates that any additions exceeding a specified square footage, as well as any new freestanding construction larger than a small garage, must receive approval through a public hearing by the Historic Review Board. The regulations intend to allow change but not lose any historic buildings. The City is evaluating the code language and whether it strikes the right balance for the neighborhood.

This project was initiated in 2020 to address the perceived lack of specificity in the definition of NEW CONSTRUCTION, which triggers the Historic Review Board District's review of projects in McLoughlin Conservation District. However, the project was put on hold in 2022 due to a staff changeover. In 2024, the Historic Review Board restarted the project as part of their 2023-2025 work plan.

## HISTORIC REVIEW BOARD'S RECOMMENDATION TO THE CITY COMMISSION

The HRB approved the following policy recommendation at the June 24, 2025, meeting and will present its recommended approach to the City Commission in the Summer of 2025, requesting approval to move forward with the Type IV Legislative adoption process. This process requires public hearings with the Planning Commission and City Commission, the final decision-makers in adopting ordinances and revising the municipal code.

## OVERVIEW

The goal of this memo is to provide a clear policy direction that captures the work done by the HRB, the public comments that were provided to the HRB, and staff and the consultant recommendations since the project started in November 2024. The second purpose of this memo is to provide a clear rationale, or "why" to the overall project as well as for each individual proposal. The intent of these explanations is to help the HRB articulate a reason for the various policy changes, particularly when presenting this project to the City Commission and the community.

## PROJECT BACKGROUND, OVERVIEW, AND WHY THE HRB IS PROPOSING POLICY CHANGES

The HRB currently reviews alterations or additions to non-designated properties in Conservation Districts only if the proposed project meets the definition of new construction.

Current (OCMC 17.04.816) definition of new construction:

> *"…a new building or structure separate from an existing building that is larger than two hundred square feet on any property located within a historic overlay district. Any building addition that is thirty percent*

*or more in area (be it individual or cumulative) of the original structure shall also be considered "new construction."*

The HRB decided to examine what types of projects they should be reviewing on non-designated properties in the McLoughlin Conservation District for three reasons.

- *In 2020, the City Commission had seen a few projects get constructed in the district that dramatically changed a historic (but non-designated) house, and had concerns that the alterations detracted from the historic properties nearby. The City Commission asked the HRB if they might re-examine the regulations, and the HRB agreed;*
- *The HRB had heard from staff that the existing regulations were unclear on a number of points, including how to measure the allowed area of new construction and whether to include decks both covered and uncovered; and*
- *The HRB wanted to encourage more of certain types of projects, especially projects that added additional thoughtfully designed small dwelling units, by exempting them from HRB review.*

Although the HRB started work on the Compatible Change project in the spring of 2021, the project was put on hold and the makeup of the HRB changed significantly. In the fall of 2024, the HRB re-started the project with a historic consultant on board. The project has gone through the following steps:

- The HRB examined regulations that apply in Historic or, where possible, Conservation Districts in various other jurisdictions such as Astoria, Salem, Tacoma, Bend, Albany, and Corvallis;
- The HRB explored ways to evaluate the impact of additions and new construction, including looking at footprint, height, location on the property, visibility of the work, and other factors;
- The HRB discussed and reviewed the City's own Comprehensive Plan (especially Goal 2, Policy 2.3, Strategy 2.3.C), the types of reviews available to property owners, and the overall historic and housing goals of the State and the city;
- The HRB discussed the characteristics of McLoughlin Conservation District and what types of construction might be compatible, while allowing for change to occur;
- A postcard with a link to a survey was mailed out to residents of the district, and the survey was available to the public (not just to residents of the district). Further, a public meeting was held with the McLoughlin Neighborhood Association (MNA) on March 6, 2025;
- With all of the above information, the HRB worked out a draft policy direction. The draft policy was reviewed by front line city planners to evaluate how the policy might work 'over the counter,' and some alternative suggestions were made and presented to the HRB; and
- The HRB has reached a 'final draft' included below. Specific language is not being presented as "red lines" for City Commission adoption, but instead as an articulated proposal for the Commissioners to consider and potentially "wordsmith" prior to adoption.

## COMMUNITY FEEDBACK SYNOPSIS

**Survey**: The online survey received 49 responses, about 80% of whom were McLoughlin residents. Survey questions were developed by City staff and the consultant to gauge public opinion about development and regulation in McLoughlin. Respondents (22) indicated that they felt the current level of historic review was

**about right**, while (5) felt that regulation was **not stringent enough**, (13) felt that there was too much or **too rigid regulation**, and (12) did not have an opinion. A question about an exemption from HRB review for freestanding detached dwellings received (25) in support and (19) not in support. Comments regarding this question were mostly in favor of allowing more such structures in the neighborhood, with some advocating for mixed-use, and "bigger," but others noting that location is important ("backyard") and that the new structure should complement the existing building. Overall, the survey seemed to capture support for **relatively small changes to review triggers for new construction**.

**Public Meeting**: An open house and meeting with the McLoughlin Neighborhood Association (MNA) about the code project was held on March 6, 2025, at the public library. The responses to "sticker" exercises and the voiced comments tended to be a little **more supportive of HRB review** and of more stringent thresholds for requiring review as compared to the survey, but there was surprisingly **even stronger support for the idea of exempting small detached dwellings** from HRB review in McLoughlin than expressed in the survey. Attendees did voice strong support for some "over the counter" standards that should be met for such structures.

## DRAFT POLICY PROPOSAL

The specific policy shifts that the HRB is putting forth for consideration are in the table on the left-hand column. On the right are reasons why the HRB is proposing the policy.

**An addition or alteration to a non-designated property in the McLoughlin Conservation District may be exempt from review by the Historic Review Board if it meets the following criteria**:

| *Draft policy* | *Comments/rationale* |
|---|---|
| 1. No building permits to construct additions, alterations that affect floor area, or new freestanding construction have been issued for the subject property within the last 2 years; | *The current code language uses the phrase "original structure," but that is difficult for staff or owners (especially a new owner) to figure out. A baseline point of 2 years in the past for an existing building ensures that owners can't keep piling new additions on previous additions without the HRB's review. Using building permits will capture most work, and it is easily trackable for staff and owners.* |
| 2. For **additions or alterations** to an existing structure,<br>a. Alterations that affect the roof of an existing primary building may not change the height of the overall roof more than 4", and no part of the addition may be taller than the tallest part of the existing roof structure (ridge line or parapet edge). | *Many of the non-designated structures in McLoughlin are potentially historic, and changing the roof is a very major change. Raising the existing roof should therefore not be allowed (without HRB review). An addition, using this allowance, should not be taller than the existing roof or ridgeline. A 2-story addition, though, is fine as long as the existing building is 2-story. A plus-minus 4 inches allows an owner to replace all or part of a roof if necessary.* |

| | |
|---|---|
| b. Alterations or additions may be no larger than 30% of the size of the original structure as it was 2 years before application date, or 700 SF in footprint. | *The HRB felt that the existing 30% allowance works fairly well, as long as there is an added height limit (above). Adding in a cap will prevent large buildings in the district (commercial buildings, etc) from adding a very large addition. 700 SF represents 30% of a house of about 2330 SF, or about 35 x 20.* |
| i. The size of the original structure and the size of the proposed addition shall be measured by their footprint area as defined by OCMC 17.04.483 .[1] | *The existing code offers a good method for measuring a building's existing and proposed addition areas, providing clarity for staff and homeowners. Using "footprint" as defined does include outdoor roofed areas that are supported by posts. This definition works well because outdoor roofed areas have a greater visual impact than non-roofed outdoor areas. Also, owners would not be tempted to create an addition with minimal eaves just to gain more addition area, because horizontally cantilevered eave areas are NOT counted.* |
| c. Proposed new decks or balconies at an upper level may be no larger than 50 SF, whether covered or uncovered. Note that an addition of a roofed deck (if the roof is supported on posts) will be counted as part of the 30% allowance. | *Not counting new decks or balconies as part of the 30% allowance does not mean that they have to be allowed outright, at any size. The HRB wanted to allow for new upstairs balconies, but still limit them to a reasonable size. 50 SF, or 5 x 10, seems adequate.* |
| d. Proposed new decks that are accessed from the ground floor of an existing building are allowed (permits are required if over 30" from grade), and are not counted as part of the 30% additional area allowed without HRB review (unless the deck has a roof supported by posts). | *Ground floor decks, even if over 30" from grade (the height at which they need a building permit), are proposed to be simply allowed. They will be subject to setback requirements. The HRB had some concern about front yard decks, but believes that in most circumstances, home owners who want a front yard hard-surfaced area would likely want a patio or low deck, which would not require a permit.* |
| 3. For **new freestanding construction**,<br>a. New small freestanding dwelling units with footprint not to exceed 500 SF and a height not to exceed 15' is allowed as a Type I staff review and must meet the | *The HRB (and the residents of McLoughlin) support an easier path to small dwelling units in the neighborhood. The HRB recognizes that a review in front of the HRB can be a disincentive, so creating a new policy document to spell out materials and other details will help to bring compatible construction and* |

[1] "Footprint" as defined in OCMC 17.04.483 - Footprint means "the horizontal area as seen in plan, measured from outside of all exterior walls and supporting columns. It includes dwellings, garages, carports, and accessory structures, but not trellises, patios, and areas of porch, deck, and balcony less than 30 inches from finished grade, or cantilevered covers, porches or projections which do not have a post touching the ground or ramps and stairways required for access."

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| restrictions in (future) HRB Policy document 13. | *new housing. 500 SF in footprint is still quite a small unit, but does allow for a separate bedroom and bathroom, which is workable for more people as a living space. Anything smaller is generally a "studio" with bed, kitchenette, and living space all in one room. See below for height comment.* |
| b. New freestanding accessory buildings (non-habitable) may have a footprint not to exceed 310 SF and a height not to exceed 15'. | *The HRB recognizes that the current 200 SF size allowed without HRB review (or a permit) is quite small even for a single-car garage. Most people would like some storage space in addition to parking a car. A very large car might be about 6' by 18', so including space for circulation and a small amount of storage, a single-car garage might be 310 SF. The 15' height (as measured to the center of roof pitch) would allow for a small loft storage area as well.* |

A few additional potential questions from the City Commission might include:

1. Using the "footprint" definition means that only one story of an addition will count as part of the 30%. Did the HRB mean for a home owner to get an upper story addition area "for free" without counting it as part of the 30%?

*Due to the roof alteration height limitation, the addition should be generally compatible with the existing structure, even if it is two stories in height.*

2. Should an addition to an outbuilding or garage be treated differently than an addition to a primary building?

*No different; these secondary structures can use the same rules as primary buildings.*

## **NEXT STEPS**

The HRB will request the City Commission's support to implement these changes, and it is important to note that the changes are strongly supported not only by the HRB but also by staff and the majority of McLoughlin Conservation District survey respondents and meeting attendees. If the City Commission provides direction to move forward with the Legislative process, a proposed redlined code and a new HRB Policy on small dwelling units will be created. Future HRB meetings will review this work before the start of the legislative hearing process.

A future worksession session will be scheduled with the City Commission once the redline code package and newly created HRB policy on small dwellings are ready for adoption prior to Legislative hearings.

625 Center Street
Oregon City, OR
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# CITY OF OREGON CITY

Staff Report

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| **To:** | City Commission | **Agenda Date:** | August 12, 2025 |
| **From:** | Shaun Davis, Police Chief | | |

**SUBJECT:**
Downtown Parking Discussion

**STAFF RECOMMENDATION:**
Provide direction for staff on future work session and/or commission agenda items

**EXECUTIVE SUMMARY**:
In May of this year, the Clackamas County Courthouse moved from its current downtown location in downtown Oregon City to its new location on top of the hill. The courthouse had a significant impact on downtown parking. With the relocation of the courthouse, the Commission has requested to bring this topic to a work session to discuss downtown parking.

**BACKGROUND**:
In May of this year, the Clackamas County Courthouse moved from its current downtown location in downtown Oregon City to its new location on top of the hill. The courthouse had a significant impact on downtown parking.

During this biennium's budget preparation, staff knew the courthouse was going to be relocating but did not have any data to know the true impact the courthouse relocating would have on downtown parking revenue. Staff had to estimate the revenue on the 25-27 biennium budget and to do so, looked back on previous parking revenue and made an estimate. The budget for each year during this biennium was estimated at $100k. This does not include permit parking. Attached is a revenue comparison for June and July of this year and compared it to June and July 2025.

Also attached is the most recent draft parking study for review.

**OPTIONS:**
1. Approve Downtown Parking Discussion.
2. Approve Downtown Parking Discussion with Amendments.
3. Deny Downtown Parking Discussion and provide further direction.

**Parking Meters**
**100-210-4415**

| | June 2024 | June 2025 | % Difference | July 2024 | July 2025 | % Difference | |
|---|---|---|---|---|---|---|---|
| Cash | $ 11,820.35 | $ 4,832.07 | -59% | $ 6,089.51 | $ 6,685.25 | 10% | |
| Credit Card | 6,385.75 | 4,936.50 | -23% | 7,266.75 | 5,117.00 | -30% | |
| Hot Spot | 4,850.60 | 2,701.25 | -44% | 5,204.22 | 3,126.31 | -40% | (Estimated) |
| | $ 23,056.70 | $ 12,469.82 | -46% | $ 18,560.48 | $ 14,928.56 | -20% | |

*July 2025 - Hot Spot revenue is estimated.  Final Revenue from Hot Spot takes approximately 60 days

**Parking Lot Charges**
**100-210-4416**

| | June 2024 | June 2025 | % Difference | July 2024 | July 2025 | % Difference |
|---|---|---|---|---|---|---|
| Cash | $ 538.00 | $ 283.00 | -47% | $ 732.00 | $ 295.00 | -60% |
| Credit Card | 4,929.00 | 3,315.00 | -33% | 6,304.00 | 4,144.00 | -34% |
| | $ 5,467.00 | $ 3,598.00 | -34% | $ 7,036.00 | $ 4,439.00 | -37% |

# Downtown Oregon City
# Strategic Parking Management Plan Update

February 2022

Version 1.1

Prepared For:

OREGON CITY

DRAFT

Prepared By:

Rick Williams Consulting
Parking & Transportation

# Contents

# 1.0 Introduction

Oregon City last outlined parking management strategies in the Downtown Parking Study, created in 2009. With the 2009 study, the City, through its stakeholder process and subsequent city policy, concluded that the objective of parking management for the downtown should be one "that supports the development of a vibrant, growing, and attractive destination for shopping, working, living, recreation, and entertainment."

In 2021, Oregon City initiated a follow up parking study entitled Comparative Summary of Parking Utilization in Historic Downtown and the Bluff. The work was initiated in 2021 and included revising 2009 study area boundaries for both the Downtown and Bluff area, creating a new and complete inventory of all on-and off-street parking in both study areas (public and private parking supplies), and conducting a weekday and Saturday parking occupancy and utilization survey of both study areas.[1]

With information derived from these recent efforts, the City is interested in a reexamination and evaluation of the 2009 parking management strategies to determine the following:

- Elements from the original Plan which are still **relevant and effective**
- An **updated approach** to parking management that will include visitor, residential, and employee parking
- Identify parking management strategies for both **Downtown and the Bluff**
- Improvements for on and off-street **supply and demand management**
- Determine **system-wide strategies** that will benefit City operations
- Identify on and off-street parking format changes that will that **improve efficiency, capacity, and communications**

The purpose of this report is to document the evaluation of the parking system and to present new strategic recommendations to bring the 2009 plan up-to-date with existing and future market conditions.

[1] Full copies of the inventory and parking occupancy and utilization reports are attached as **Appendix A** and **B**, respectively.

## 2.0 Key Elements of the 2009 Downtown Oregon City Parking Study

The 2009 Downtown Oregon City Parking Study provided prioritized guidance for the management of parking in the Downtown (a key focus area) and on the Bluff. The study recognized that the role of parking in downtown cannot be seen as a stand-alone solution in and of itself. The key to a successful downtown parking experience is in management of the parking supply. The Plan noted the following:

> *To provide for the Downtown's further development as a viable commercial district, on-street parking must be managed to ensure the priority customer's demand for parking is met. Additionally, given the multi uses in the Downtown core, parking must be managed to ensure the needs of all users can be accommodated.*[2]

The 2009 study outlined the following key elements:

- Stakeholder priorities
- Guiding themes and principles
- Parking data and demand analysis, and
- Management strategy recommendations

To assist with the study, a stakeholder committee was formed in 2008 to inform the process and outline desired outcomes, opportunities, and challenges. Guiding themes and principles, a set of value statements summarizing the agreed upon for use of the public parking supply, and desired outcomes for parking management were developed. An objective data inventory and collection effort created a baseline from which the stakeholder priorities and guiding principles were evaluated. Finally, a list of strategies emerged to lead the City in its management of its parking supply.

### 2.1. GUIDING THEMES AND PRINCIPLES (2009)

The adopted Guiding Principles were derived from dialogues with the Parking Advisory Committee, City Commission, and other stakeholders, establishing a solid foundation for coordinating parking and transportation decision-making and policy. The Guiding Principles were intended to support the long-term economic development vision of the City and its downtown stakeholders. A summary of the 2009 Guiding Principles, leading with the original statement of purposes, are below.

**Statement of Purpose**

> *It is the primary objective of the City of Oregon City to implement a Parking Management Plan for the Downtown that supports the development of a vibrant, growing, and attractive destination for shopping, working, living, recreation and entertainment.*

[2] Downtown Oregon City Parking Study, Findings and Recommendations of the Stakeholder's Advisory Committee (April 2009), Executive Summary. Page VI.

Guiding Principles were separated into nine central elements and 25 statements of priority, establishing desired outcomes for future decision making related to parking and access in the Downtown and on the Bluff. The 2009 Guiding Principles are summarized below[3]:

- **Access**: Parking should be just one of a diverse mix of access options available to users of the downtown.
- **Priority Customer**: While numerous users need parking in the downtown, the priority parker is the short-term trip (two hours or less), those who use downtown to shop, dine, recreate, and access businesses. *City owned supply* must be prioritized and managed to accommodate these trips.
- **Priority Parking (On-Street):** Recognize that on-street parking is a finite resource and should be managed to assure maximum access for the priority user. On the Bluff, manage parking to balance the on-street system to support multiple users that include visitor, employee, and residential demand.
- **Employee Parking & Off-Street City Owned Supply**: Develop means and/or partnerships that provide adequate and affordable parking for employees and those needing longer-term stays that meet demand, particularly shared use opportunities to transition employees into the off-street public and private supply. Employee access should be provided in conjunction with an access system that provides balanced and reasonable travel mode options.
- **Residential Parking:** Residential development downtown will provide parking for the residential units on-site, or find parking in off-street lots, and parking in areas zoned residential will be prioritized for residents and their guests and visitors.
- **Multi-Modal Access:** Transition more downtown employees into alternative modes (i.e., transit, bike, walk, rideshare) through business-based programs and incentives and calibrate parking standards to fully support this outcome.
- **Understandability:** Make downtown parking user-friendly—easy to access and easy to understand.
- **Quality:** Provide a "parking product" in the downtown that is of the highest quality to deliver a safe, secure, and well-lit parking system ensuring a sense of security at all times on-street and off-street.
- **Coordination:** Provide coordinated management of the public parking supply and assure a representative body of affected private and public constituents from within the downtown informs decision-making regarding parking. Use the "85% Rule" to inform and guide the decision-making process.

## 2.2. PARKING MANAGEMENT STRATEGIES (2009)

Based on the Guiding Principles, the 2009 study "supports creation of a parking system that facilitates and contributions to a vital and growing downtown." Using data as well as the Guiding Principles, specific parking management strategies were identified and recommended for consideration. The recommendations were organized into two categories: *Policy Level Actions* and *Recommended Parking Management Strategies*.

[3] The key desired outcomes of the 2009 Guiding Principles are summarized here. The complete 2009 narrative can be found in the Downtown Oregon City Parking Study, Findings and Recommendations of the Stakeholder's Advisory Committee (April 2009), pages 22 – 27.

### Policy Level Actions

The following policy elements were recommended to be adopted immediately by the City:

1. Assign the responsibilities of a 'Parking Manager/Coordinator' for the City.
2. Establish an advisory role for stakeholders to assist in parking program implementation and review.
3. Adopt policies and rules to guide parking management and development.
    a. Codify Guiding Principles for Parking Management as elements of City Code.
    b. Adopt the 85% Rule to facilitate/direct parking management strategies.
    c. City Commission to adopt rate ranges for parking rates in public facilities (on and off-street). Ranges would be established for hourly meter rates and monthly parking rates. This would allow the City Manager to adjust rates administratively within the ranges adopted and based on the 85% Rule.

### Parking Management Strategies:

**The following strategies were recommended for near-term implementation (6-18 months):**

1. Appoint a Downtown Parking Manager.
2. Initiate Parking Advisory Committee process.
3. Add parking to the on-street system in the Historic downtown in areas currently designated as no parking areas. This parking will be provided as either 2-hour parking or '2-hour or by permit' (based on location and proximity to downtown core).
    a. Install new on-street signage in areas designated for new parking.
4. Reduce and/or eliminate all 15-minute, 30-minute, 4-hour, 8-hour, and No-limit parking stalls in the historic downtown and convert to 2-hour parking (62 existing stalls). Request for these types of stalls in the future would be coordinated through an exception process as described in Strategy 12.
5. Transition a minimum of 20 existing Blue and Green employee permits now parking in high occupancy node, to on-street locations in the NE end of downtown (signed 2-hours or by permit).
6. Begin work with the County Courthouse and County Corrections to develop an action plan to transition existing on-street reserved stalls to non-core locations.
7. Work with County Courthouse to refine juror parking program to specifically direct jurors into the Municipal Lot. This would include direct contact/mailings, maps and other materials necessary to localize jurors at the Municipal Lot.
8. Re-evaluate and revise all current parking permit pricing based on 85% standard.
9. Initiate a new and comprehensive outreach program to all businesses within the study zone that communicates the parameters of a new revised City's permit program.
10. Develop a lighting and pedestrian walkway plan linking the NE end of the historic downtown to the core as a way to assure convenience and safety for use of parking in the downtown. Develop a similar plan for the Bluff area with particular focus on areas between potential parking sites and the elevator.
11. Develop a Residential Parking Permit Zone (RPPZ) policy and program for adoption by the City Commission for future implementation in residential areas affected by spillover from commercial parking.

12. Develop 'exception' criteria for adoption by City Commission that informs decision making for establishment of loading zones and 15, 30, 60 & 90-minute stalls within the on-street supply.

**The following strategies were recommended Phase 2 implementation (18-36 months):**

13. Transition additional Blue and Green employee permits to on-street locations in the NE end of downtown (signed '2-hours or by permit') as per the 85% Rule.
14. Implement lighting and pedestrian plan developed in Strategy 10.
15. Adopt and establish a residential parking permit zone (RPPZ) policy and program (as developed in Strategy 11) that could be implemented at the request of residential neighborhoods adjacent to the downtown as a measure to mitigate commercial parking spillover into residential areas.
16. Adopt 'exception' criteria (as developed in Strategy 12) necessary for approval location and type of loading zones within the downtown/Bluff parking areas and for approval of on-street 15-, 30-, 60-, and 90-minute stalls.
17. Restripe all on-street parking in the Historic Downtown to better identify parking availability and location.
18. Negotiate shared use and/or lease agreements with owners of strategically placed existing private surface lots in the Historic Downtown to provide for an interim supply of parking where needed.
19. Negotiate shared use and/or lease agreements with owners of strategically placed existing private surface lots on the Bluff to provide for an interim supply of parking where needed.
20. Develop and install a signage package of uniform design, logo, and color at public and private (shared use) off-street parking facilities.
21. Partner with the business community to develop/refine a marketing and communication system for access in Oregon City (building on existing materials/programs).
22. Evaluate and adjust minimum parking ratios for new development in the downtown, to assure that access impacts of new development are meaningfully addressed and correlated to actual parking demand.
23. Lease/acquire strategically located land parcel for use as future public off-street parking on the Bluff.
24. Develop a recommended package of incentives for the private development of publicly available parking.
    a. Sponsor employee-based initiatives to encourage employee use of alternate travel modes.
25. Establish commuter mode split targets for employee access in the downtown.
26. Examine the feasibility of a year-round 'shuttle' that conveniently links/connects employee and/or juror parking areas in the Historic Downtown and on the Bluff.
27. Monitor downtown parking utilization continuously and periodically. Conduct parking inventory analyses.
28. Restripe all on-street parking on the Bluff to better identify parking availability and location.

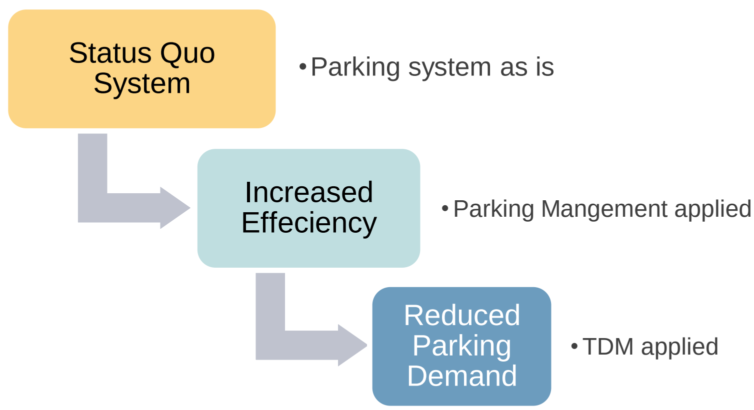
**The following strategies were recommended Phase 3 implementation (3 years and beyond):**

29. Recommend to the City Commission the commuter modes split targets developed in Strategy 25 for adoption as a policy element of the Oregon City Transportation and Parking Management Plan.
30. Evaluate lowering maximum parking ratios for new development based on updated 'true demand' calculations derived from updates derived in Strategy 27.

31. Strategically place new and unique wayfinding signage in the right-of-way at locations chosen carefully to direct visitors to off-street locations.
32. Implement the recommended package of incentives for the private development of publicly available parking as determined in Strategy 24.
33. Implement year-round 'shuttle' service if feasibility is established in Strategy 26.

Overall, the 2009 study emphasized a long-term economic development vision of Oregon City, coordinating parking and transportation decision-making and policy. These Guiding Principles provided a solid foundation from which data and policy decisions have been made to truly reflect a shared, community informed, desired outcome for how stakeholders want to see their community grow.

## 3.0 Considerations: Parking Management Strategy Updates




The components of a parking management plan need to be simple and intuitive for the user, providing an understandable system that is safe, secure, affordable, and well-integrated into the traffic system and other access modes. The Plan updates offered here strive to recognize the role of the public sector (the City) in providing parking for patrons of the Downtown and accommodating a diverse mix of commercial and residential demands in the Bluff area. Underscoring this is the role the City plays in seeking out and realizing opportunities by creating partnerships with the private sector to provide needed parking and support of alternative modes of access through transportation demand management (TDM).

These new updated strategies will assure that parking management remains flexible enough to inform a decision-making framework that best serves the unique and changing nature of the Downtown and Bluff area. The updated strategies support the importance of parking management to meet the economic vision for the Downtown and Bluff, and, equally, the City's vision for compact urban development, sustainability and climate action, equity, and innovation. Moving forward, the parking management system will require attentive management and nimble curation to fully maximize this valuable resource, particularly as the City emerges from, and manages through, post-pandemic impacts.

New strategies presented here for consideration are offered as supplements to those adopted in 2009, not as replacements. Strategy considerations are provided within four areas of Parking Management and are ordered in near-term (6 – 18 months) and mid-term (18 – 36 months) implementation phases. The four areas of parking management include:

1. **Recommendations for Downtown**
   - On-Street
     - Permits reduction
     - Permit rate evaluation

    - Standard Meter Fee
    - No Limit stall elimination
    - Convert 4- and 8-Hour stalls to 3-Hour stalls
- Enforcement
    - Shift Enforcement Hours
    - Extend Enforcement to Saturdays
- Off-Street
    - Shared Use Opportunities

2. **Recommendations for the Bluff**
    - On-Street
        - Commercial Zoned Areas:
            - Convert No-Limit stalls
            - Controlled Employee Permits
        - Residential Zoned Areas:
            - Convert No-Limit stalls
            - Offer Residential Permits
    - Off-Street
        - Shared Use Opportunities

3. **Reaffirmation of 2009 Strategies**
    - Create Exception Process
    - Parking Advisory Committee

4. **Systemwide**
    - City Parking Performance Dashboard
    - Routine Parking Utilization

A concise summary table of all recommended strategy updates is provided in **Section 5** at the end of this document.

## 3.1. RECOMMENDATIONS FOR DOWNTOWN

**Strategies 1 through 8** are recommendations for parking changes, both on and off-street, that focus on parking within the Downtown parking management study area.

### Strategy 1: Reduce On-Street Permits Issued in the Downtown

#### Action Statement

Continue to reduce the number of on-street permits issued for use in the Downtown.

#### Strategy Description

There are currently **119 on-street stalls** that allow permit parking in the Downtown parking study area. This equates to 25% of the on-street parking supply in Downtown. Being that the Downtown's primary user group is intended to be visitors/customers, it would be ideal to reduce the number of on-street permits. By reducing the number of permits, the on-street system could add back additional short-term stalls for visitors/customers of the Downtown. This recommendation should be coordinated with **Strategy 5** and **Strategy 13**, providing off-street parking options in the form of shared use and/or encouragement of parking on the Bluff and alternative modes.

#### Timeframe:

Near-term implementation (6-18 months)

### Strategy 2: Reevaluate On-Street Monthly Permit Fees

#### Action Statement

Evaluate increasing **fees for monthly parking permits** in the public supply (on- and off-street) to honor 85% occupancy standard and to minimize existing waiting list (find market demand).

#### Strategy Description

A key element of parking management and sound fiscal policy concerns the management of parking rates, both on-street and off-street. Adjusting parking rates is often a controversial topic among stakeholders in downtowns. It is therefore critical to outline both the *reasons* for rate changes as well as the *intended outcomes* of the change. The primary drivers of the need for rate changes include the following:

- *Reflect market demand*. The 85% occupancy standard can be used as a decision-making trigger for adjusting rates; when rates are too low, demand can far exceed the available supply. Keeping fees in line with market demand helps to manage parking demands efficiently.
- *Balance supply and facilitate broader mode goals*. Rates and fees should support efficient use and not compete with other modes of access (i.e., transit, bike, walk, and rideshare).
- *Operating costs*. Cover normal annual increases in operating costs of the system for which a fee is assessed (e.g., on-street meter system, off-street lot and/or garage).

- *Provide for future need*. This would include normal capital planning and projected growth in the system.

Incremental rate changes that reflect changing market demand and adhere to specific objectives are often more palatable to users than infrequent but substantial changes. In other words, justifiable *market demand-based* increases need to be strategic and policy based rather than reactive. The financial systems that support parking are adversely impacted when normal costs of operation, demand, and future infrastructure needs are not addressed. Best practices parking management supports a routine policy-based process that evaluates rates routinely and adjusts rates as necessary.

It is also important to note that a rate review does not assume a rate increase, only that the system is fiscally sound and adjusting to market demands.

The current allocation of parking permits and pricing has not been routinely evaluated within the context of the 85% standard. There is a waiting list for permits with permit fees ranging from $20/month (Blue Permits) to $60/month (Red Permits).[4] Permit rates, by type and location, should be reviewed annually (or more frequently) and increased if the 85% standard for that type of permit is exceeded. This (a) assures that parking is priced according to market demand, (b) ensures parking rates also cover normal increases in program costs and administration and (c) better correlates employee parking rates to transportation options (particularly transit and ridesharing). This reevaluation would become a routine procedure with recommendations for rate changes presented to the City Manager.

### Timeframe

Near-term implementation (6-18 months)

## Strategy 3: Standardize On-Street Meter Rates

### Action Statement

Standardize all on-street meter hourly rates throughout the Downtown, so that hourly rates are consistent in all metered on-street stalls in Downtown Oregon City.

### Strategy Description

Currently on-street rates are $1.00/hour in the core of Downtown (7$^{th}$ to 10$^{th}$), while just to the north and south of the core the rate drops to $0.50/hour for the metered on-street stalls. However, there is no clear or consistent signage or communications to make users aware of the "lower rate" option just outside of the core. With only 252 metered stalls in Downtown, maintaining and clearly communicating different rates on different blocks may outweigh the potential benefits at this time. Standardizing the rate to $1.00/hour will make the

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[4] A waiting list indicates that the rate charged for parking is lower than market rate. Pricing to eliminate waiting lists brings pricing to market and also elevates other mode options (that may be less costly) as reasonable options to consider (support TDM goals).

system easier to understand for the average user[5], while helping to keep pace with maintenance costs in the currently lower priced areas.

It is important to note that over time, annual rate evaluations may indicate that a higher rate is justified in Downtown. If a two-tiered rate system is reapplied in the future, it will be important to clearly communicate the availability of nearby "discount" parking for those willing to walk a greater distance.

### Timeframe

Near-term implementation (6-18 months)

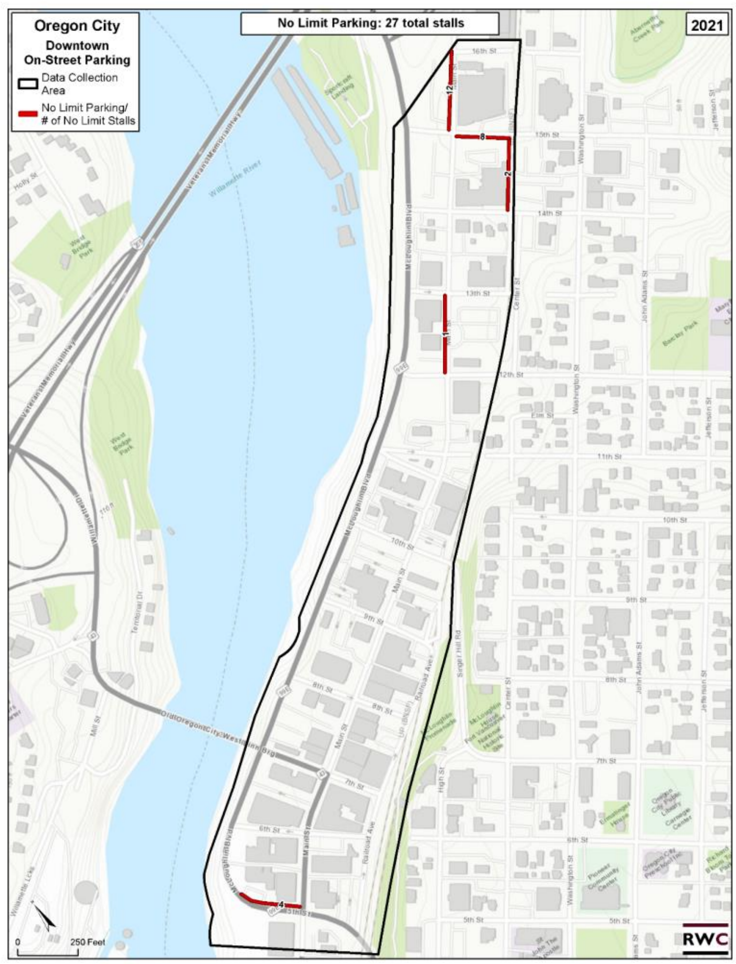
## Strategy 4: Eliminate No-Limit On-Street Stalls in the Downtown

### Action Statement

Eliminate the remaining No Limit on-street stalls Downtown to encourage short-term visitor/customer stays and transition longer-term stays (3 or more hours) to off-street locations or into transportation options.

### Strategy Description

There are currently 27 No Limit on-street stalls located within the Downtown study boundary. The average length of stay for the No Limit on-street stalls was 7 hours and 14 minutes and have a peak occupancy of 78%. These stalls are located along Main, 13th, Center and 5th—largely in the north and south areas, and not in the core of Downtown (see map at right). Being that the priority users of the on-street system is the short-term customer/visitor, the remaining No Limit stalls should be eliminated and converted to 3-hour time limited stalls.




### Timeframe

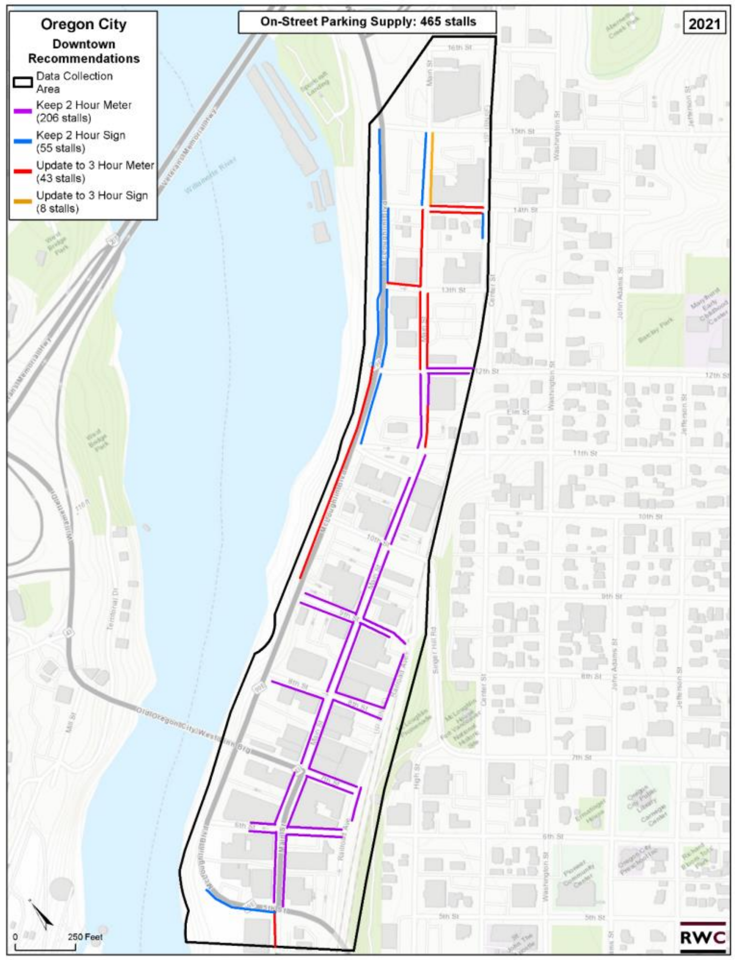
Near-term implementation (6-18 months)

[5] This is especially important now, as the Downtown recovers, reactions and transitions out of the COVID-19 pandemic. The focus here is on simplifying the on-street system.

## Strategy 5: Encourage Shared Use Off-Street Parking

### Action Statement

**Continue to encourage off-street shared use parking** opportunities in private lots Downtown (for both employee and visitor uses).




### Strategy Description

As noted in the 2009 Parking Management Plan, private off-street parking facilities in some areas have underutilized capacity. The Downtown Oregon City Association (DOCA) has done a terrific job at encouraging employers to create shared use agreements between different users (public and private) to direct parking demand into these facilities to both maximize existing parking resources and minimize overall parking development costs. Establishing more agreements will be important as a reduction in Downtown on-street permits is evaluated (**Strategy 1**) and permit fee adjustments are analyzed (**Strategy 2**). Off-Street shared use parking rates need to be attractive to incent long-term parking off-street, and not in an on-street permitted stall.

### Timeframe

Near-term implementation (6-18 months)

### Strategy 6: Reduce the Number of On-Street Long-Term Parking Stalls

#### Action Statement

**Convert existing 4 and 8-Hour stalls to 3-Hour stalls** in Downtown to encourage short-term visitor/customer stays and transition longer-term stays (3 or more hours) to off-street locations or into other transportation options.

#### Strategy Description

With a limited number of on-street stalls in the Downtown, the priority for that system should be for short-term use (2-3 hours). Currently, there are 43 long-term (4 or more hours) on-street metered stalls and 8 long-term (4 hour) on-street time limited stalls within the Downtown on-street system (see map at right).

The average length of stay indicates those stalls are being used for a shorter duration (4-Hour Metered: 2 hours 54 minutes; 4-Hour Signed: 2 hours 20 minutes; and 8-Hour Metered: 1 hour 50 minutes). These 51 stalls should be reassigned as short-term spaces, reflecting the desired high turnover trips indicative of downtown, while also accommodating the average existing user (according to their length of stay). It is recommended that these stalls convert to 3-Hour stalls (metered and signed).

**Downtown Long-Term Stalls - Current**

| | 4-Hour Metered | 8-Hour Metered | 4-Hour Signed |
|---|---|---|---|
| **Parking stalls** | 14 | 29 | 8 |

**Downtown Long-Term Stalls – Proposed Conversion**

| | 3-Hour Metered | 3-Hour Signed |
|---|---|---|
| **Parking stalls** | 43 | 8 |

#### Timeframe

Near-term implementation (6-18 months)

### Strategy 7: Adjust Enforcement Hours in Accordance with Current Parking Demand

#### Action Statement

**Adjust enforcement hours** to 10:00 AM – 7:00 PM to better account for parking use trends and support evening business hours.

#### Strategy Description

Based on the data trends, the on-street occupancy is relatively low in the morning, and then trends upwards by 5:00 PM. Currently, enforcement hours are from 8:00 AM – 5:00 PM Monday-Friday. Consequently, delaying the start of enforcement until 10:00 AM and extending evening hours until 7:00 PM would provide more management of the on-street system when demand for parking is still relatively high.

### Timeframe

Mid-term implementation (18-36 months)

## Strategy 8: Initiate Saturday Enforcement

### Action Statement

**Extend enforcement** (and associated on-street signage) to Saturdays to prioritize customer access to Downtown businesses.

### Strategy Description

The 2021 weekend occupancy data indicated that parking behavior was similar to the 2016 weekend data, where the on-street system was being well utilized during the afternoon an evening hours. With the average length of stay increasing and the violation rate being over 11% (industry best practice targets 5-7%) in 2021, the on-street system would benefit from encouraging longer-term vehicle trips to off-street options, on-street permit stalls, or alternative modes. To this end, implementing Saturday parking enforcement (and installing appropriate signage) would prioritize on-street stalls for customer/visitor use and improve ease of access to Downtown for this user group.

### Timeframe

Mid-term implementation (18-36 months)

## 3.2. RECOMMENDATIONS FOR THE BLUFF

The following strategy recommendations (9 – 13) focus on the Bluff – both the on and off-street parking systems.

**Strategy 9: Implement 3-Hour Time Limits on Blocks Adjacent to Commercial Areas**

### Action Statement

**Convert on-street No-Limit stalls** abutting commercial zoned areas to 3-Hour time-limited stalls.

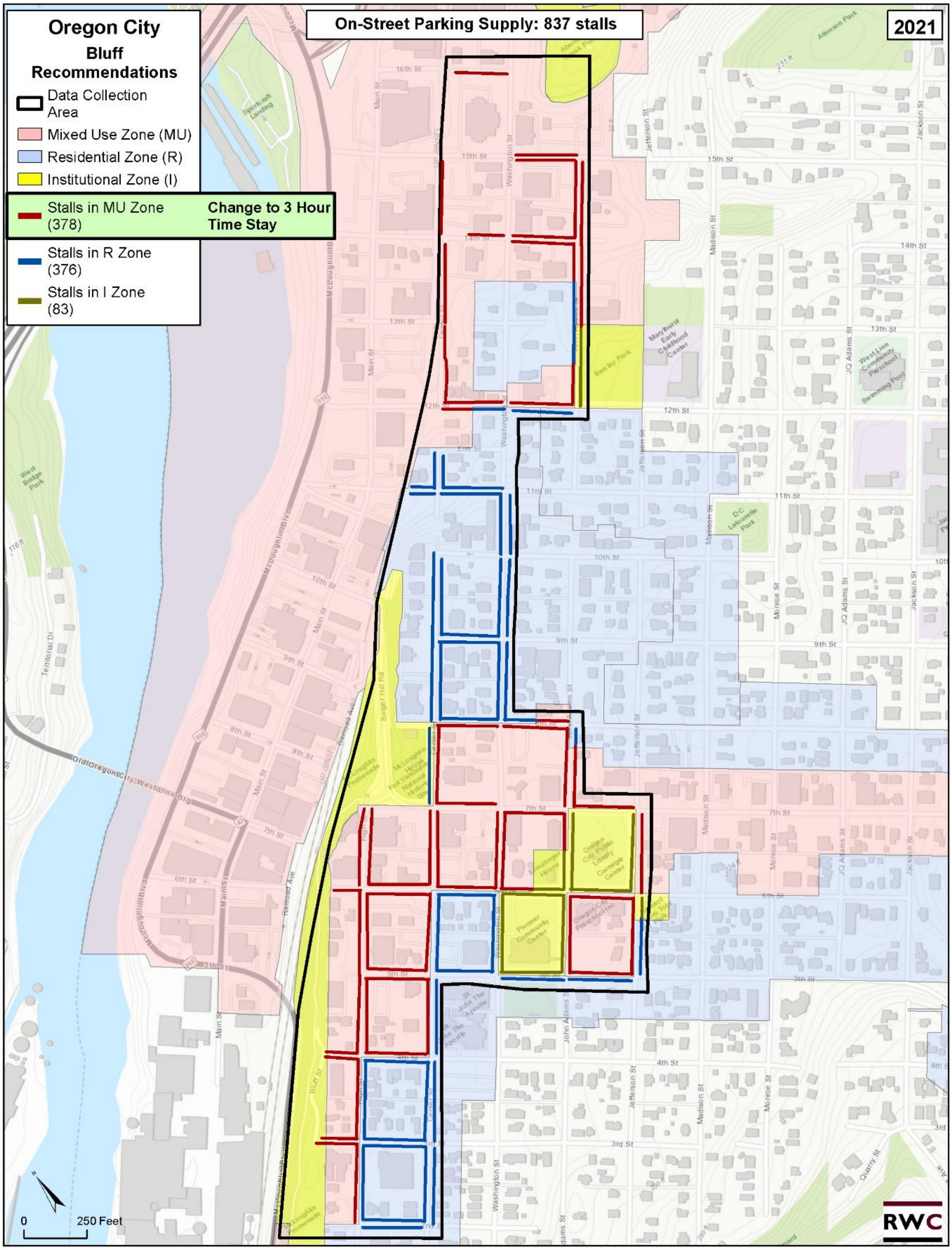
### Strategy Description

This recommended on-street format change is largely centered around 7th and Washington as well as further north by 14th and John Adams where commercial block faces allow unlimited (No Limit) parking. These two areas contain the most amount of commercially zoned parcels in the Bluff study area, and in order to better serve the customers/visitors of those areas, 3-hour time-limited short-term stalls are recommended to encourage increased turnover and a reasonable customer/visitor time stay to serve local commercial businesses. The map, below, provides an illustrated summary of block faces recommended to transition to 3-hour signed parking.

Implementation of this strategy would need to be in coordination with **Strategy 10** and **Strategy 11** to provide a controlled on-street employee permit program on commercial block faces while protecting residential block faces (through expansion of the current residential permit program on the Bluff) from employee spill over into neighborhoods.

### Timeframe

Mid-term implementation (18-36 months)


Oregon City
Bluff Recommendations
Data Collection Area
Mixed Use Zone (MU)
Residential Zone (R)
Institutional Zone (I)
Stalls in MU Zone (378)
Change to 3 Hour Time Stay
Stalls in R Zone (376)
Stalls in I Zone (83)
On-Street Parking Supply: 837 stalls
2021
0
250 Feet
RWC

**Strategy 10: Sell a Controlled Number of On-Street Employee Parking Permits**

### Action Statement

Allow a **controlled number of on-street employee permits** on the commercial streets closest to to the elevator.

### Strategy Description

With time-limit changes to commercial streets (**Strategy 9**) as well as an expanded residential permit program (**Strategy 11**), the on-street system on the Bluff will have a higher level of management and limitations for people who seek to park for longer than 3 hours. To mitigate concerns from nearby employees, it is recommended to allow a controlled number of on-street employee permits on the commercial streets closest to the elevator. The permit area may include commercial streets by 3rd and High Street. The <u>on-street employee permit system is intended as an interim program</u>, made available at this time because certain on-street stalls have adequate capacity to allow permit use and continue to provide convenient patron access. With a current on-street parking permit program in place, providing additional interim employee parking on-street on commercial streets allows for flexibility as the on-street time-limit format changes take place. It also provides an interim backstop for employee parking demand that would be intended to transition to off-street lots (**Strategy 13**) and/or alternative modes.

### Timeframe

Near-term implementation (6-18 months)

**Strategy 11: Protect Residential Neighborhoods from Commercial Spill Over**

### Action Statement

Convert on-street No-Limit stalls abutting residential zoned areas to **2-Hour time-limited/or-by-permit stalls**.

### Strategy Description

Of the 837 on-street stalls located within the Bluff study area, 424 (51%) are No Limit stalls. With the **Strategy 9** recommendation to change time-limits to 3-Hour on block faces abutting commercial streets, people seeking long-term free parking may attempt to use No-Limit stalls in neighboring residential streets on the Bluff. To mitigate this type of spillover and to continue to prioritize and protect residential streets for the abutting residents, it is recommended that the No-Limit stalls abutting residential zoned areas be converted to 2-Hour time-limited/or-by-residential-permit stalls. This strategy would need to be coordinated with the implementation of **Strategy 9** as well as **Strategy 12**. Implementation of this recommendation would come at the request of affected neighborhoods.

See proposed commercial and residential on-street changes in the map associated with **Strategy 9**.

### Timeframe

Mid-term implementation (18-36 months)

## Strategy 12: Expand Residential Parking Permit District

### Action Statement


**Allow expansions of the Bluff's residential permit program** on residential block faces to mitigate any issues arising from commercial parking overspill into neighborhoods. Use the City's existing residential permit program (through revisions, expansions, and/or enforcement) to preserve priority access in these areas for residents and their guests.

### Strategy Description

One dynamic of growing downtowns or business districts are the impacts such growth can have on the neighborhoods that abut these commercial districts. When parking management strategies such as time limits and paid parking are implemented in growing commercial districts, employees will often seek out free and unlimited parking in nearby residential areas. Residential parking permit programs help to address this spillover by requiring parking permits for long-term stays (typically issued exclusively to residents of the permit district). Signage typically continues to allow short-term stays in these areas without a permit (for residential visitors and customers of the adjacent commercials areas).

In coordination with **Strategy 11,** the on-street parking abutting residential streets will be time-limited allowing short-term stays or longer-term stays with a residential permit. The current residential parking program on the Bluff may need to be evaluated and potentially expanded to accommodate the recommended changes associated with **Strategy 11**. Initiation of this recommendation should be at the request of the neighborhood association(s).

Oregon City has a long standing and successful residential parking permit program. Continued use of the program and continued communication and partnership with the McLoughlin Neighborhood Association will reinforce the City's intent to protect residential parking. Also, conducting periodic data collection in affected neighborhoods per **Strategy 17** can also provide useful information on use of the neighborhood parking system(s), inform the community, and reinforce sound decision making.

### Timeframe

Near-term implementation (6-18 months)

## Strategy 13: Allow for and Encourage Off-Street Shared Use Parking on the Bluff

### Action Statement

As in the Downtown, **encourage shared use off-street parking** opportunities in private lots to provide parking for long-term users (helping to mitigate spill over in residential areas).

### Strategy Description

Similar to **Strategy 8** for Downtown, the off-street system in the Bluff is significantly underutilized and has capacity to absorb additional demand for those seeking long-term parking options. As **Strategy 9** and **Strategy 11** change the on-street format in the Bluff, encouraging additional off-street opportunities will be an important option for visitors/customers wanting to stay longer than 3 hours.

### Timeframe

Near-term implementation (6-18 months)

## 3.3. SYSTEM-WIDE RECOMMENDATIONS

The following recommendations are system-wide recommendations, which echo previous recommendations outlined in the 2009 plan as well as are strategies which are for the entire parking system, to provide key objective performance metrics from which decision can be informed and strategies can be pivoted from.

**Strategy 14: Allow Exemption Requests to the Standard Time Stay**

### Action Statement

**Create an exemptions process** for Downtown/Bluff businesses to request on-street stalls that are not of the base parking standard (2-Hour/3-Hour), as a means to address quick trips to downtown (e.g., 30-minute stalls, loading zones, etc.).

### Strategy Description

An important part of any on-street parking system is consistency with base time standards (2-Hours and/or 3-Hours in Oregon City's case), however, the base standard may not always be the right time standard for certain types of businesses, particularly those that rely on very high customer turnover. COVID and a changing economy have led to some behavior changes and businesses, especially retail, has had to adapt to these changes to thrive. For these businesses, such as restaurants, a shorter time stay may be necessary.

A possible draft exceptions process for granting exceptions to the base standard is outlined below. Criteria for evaluating high turnover spaces (as exceptions to the 2 or 3-Hour base standard) would include:

- **High turnover exception spaces will be located at ends of blocks (next to intersections)** to simplify signage and provide easy access (via convenient crosswalks) to all surrounding businesses. Ideally, exemption spaces should not make up more than 15% percent of stalls on a single block face. Exemption spaces, particularly in Downtown Oregon City, can serve businesses on both sides of the street.
- **High turnover exception spaces are limited to 30 minutes in the 2-Hour Base Zone.** It is important to limit the number and types of exceptions to the base standard.
- **High turnover exception spaces will be used for specific types of business**. The requesting business types must have a documented high percentage of short transactions. Examples are dry cleaners, post office/shipping retailers, and ticket agents. A more detailed list of businesses that have such high turnover needs should be established through a collaborative process between the City and the TDM Work Group and be reflective of business types unique to Downtown Oregon City and business types as suggested above.
- **High turnover exception spaces should not be granted where private parking spaces are available.** High turnover spaces will be limited or not approved for businesses that have adjacent off-street private parking lots or private garage spaces for short-term customers.
- **High turnover exception spaces will be used where on-street parking occupancy exceeds 85%.** Utilization data show that occupancy exceeds 85% during the peak hour on block faces adjacent to business, justifying a reduced base time stay standard.
- **High turnover exception spaces will be converted to the base standard where citation data indicate these spaces are not used for short stays.** If citations increase at the location of an exception space, the space is needed for longer-term stays and may be better served at the base standard.

### Timeframe

Mid-term implementation (18-36 months)

**Strategy 15: Continue Public Involvement in Parking Management**

### Action Statement

Establish a **Parking Advisory Committee** to review the Parking Management Plan and to maintain the role of downtown stakeholders, staff, and City leadership to assist in implementation of the updated strategies of this plan. [NOTE: the Oregon City TDM Work Group may already be fulfilling this role]

### Strategy Description

Active participation by those affected by downtown and the Bluff parking management strategies is best accomplished through an established advisory committee that reviews the performance of the public parking system, serves as a sounding board for issues, periodically review the recommendations presented in this plan, and acts as a liaison to the broader stakeholder community as changes are implemented. The City should continue this process if filled by the Oregon City TDM Work Group.

An added charge for the TDM Work Group could be to assist the Enforcement Manager or parking staff in establishing key parking and access management performance measures that would be routinely quantified, tracked and published in a dashboard format in an Annual Downtown Parking Management Report (see **Strategy 16**). Tracking and communicating system performance, clearly documenting annual changes, and adjusting strategies in areas where performance is not met can be a catalyzing element of any city's parking management program.

### Timeframe

Near-term implementation (on-going)

**Strategy 16: Produce Annual Parking Performance Status Dashboard**

### Action Statement


**Publish an annual Parking Performance Status Dashboard outlining key parking metrics,** such as parking occupancy data, financial information, enforcement performance, etc.

### Strategy Description

An annual status and performance dashboard will provide consistent tracking of performance measures (and fund status). The information could be presented as an annual summary as well as performance to previous operating years (e.g., three previous years).

An annual report provides transparency within the program and helps inform City leadership and the TDM Work Group of opportunities, challenges, strategy implementation progress, and system performance. This reinforces and facilitates decision-making. The report would be presented by the Enforcement Manager/City staff to City Commission and made available on the City's parking website.

Minimum performance "success measures" can be developed with the TDM Work Group. The measures bullet-pointed below are useful examples of metrics other cities track and incorporate into their annual summary reports. The final list of success measures should be developed in collaboration with the TDM Work Group and tailored to the Oregon City system.

- Downtown Parking Management District boundary (i.e., map)
- City lot locations and stall totals
- Rate schedules for on-street meters, off-street (by lot), and permits by type (on, off-street and residential)
- Revenue/Expense Summary
    - Program revenue
    - Program expenses
    - Surplus/deficit
- Number of permits sold (average month)
    - On-street permits (downtown)
    - Off-street permits (downtown)
    - Residential permits
- Citations issued
    - Number of citations issued / dollar value of citations
    - Number of citations voided, or waived / dollar value of citations voided or waived
    - Number of citations outstanding (unpaid)
- Peak Occupancy (as measured in **Strategy 17**)
    - On-street
    - Off-street by lot/garage
    - Areas of constraint (based on 85% Occupancy Standard)
    - Other measures of utilization (turnover, average length of stay, violation rate, etc.)
- Customer service (routine tracking and reporting of customer complaints, recommendations and other input from users and stakeholders)

### Timeframe

Mid-term implementation (18-36 months)

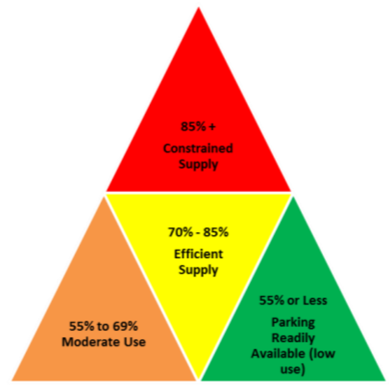
## Strategy 17: Measure Performance - Parking Utilization

### Action Statement

Develop a reasonable schedule of data collection to assess performance for both the Downtown and the Bluff.

### Strategy Description

A foundational element of this parking management plan is the facilitation of decision-making with accurate data. The Guiding Principles, developed in 2009, referenced use of the 85% Occupancy Standard which requires routine data collection. Data can be used by the City and stakeholders to inform decisions (e.g., rates, fees, management of permit systems), track use, and objectively measure success.




As such, a system for routine data collection should be established. The system does not need to be elaborate, but it should be consistent and structured to answer relevant questions about occupancy, seasonality, turnover, duration of stay, patterns of use, and enforcement. Data findings should be published (see **Strategy 16)** and presented in a format that compares previous years. Parking occupancy and/or utilization studies and updates should be conducted at least every 2 – 3 years.

Occupancy and /or utilization data[6] should, at minimum, be collected for:

- Downtown & the Bluff on-street parking (occupancy and/or utilization)
- Publicly owned off-street parking (occupancy)
- Adjacent residential parking areas, as necessary (occupancy and recording displayed permits)
- Private off-street facilities to measure shared parking opportunities (occupancy)

### Timeframe

Mid-term implementation (18-36 months)

[6] An *occupancy study* generally records parked vehicles within a supply on an hourly basis over a prescribed operating day (at minimum, hours of enforcement). A *utilization study* includes occupancy counts, but also records vehicle license plates and observed permits. A utilization study allows for measuring average durations of stay, number of permits in use, rates of stall turnover, and rates of violating time stays.

## 4.0 Summary

Despite the COVID pandemic, Oregon City is moving forward in the right direction, with a bustling and historic Downtown and continued growth and development changes on the Bluff. With growing visitor and customer demand, Oregon City will face additional pressure on its existing parking supply, so managing the on and off-street systems based on established performance measures will be important to minimize conflict, ensure efficient access for users, and continue to adhere to the established Guiding Principles for the system. The strategies above represent a toolbox of methods that reaffirm, update, and strengthen the 2009 Parking Management Plan.

This report recommends parking management strategies that directly address these issues through data analysis, observation, stakeholder input, and strategic partnerships. At this time, these updated strategies are in draft form and will require additional review and input from stakeholders, City staff, and the City Commission. This document is intended to facilitate conversations that will lead to affirmation of an updated plan that is adopted and actively implemented.

# 5.0 Strategy Summary Table

The following table summarizes the strategies recommended in **Section 3**. This summary can be used as a concise outline of all recommendations and as a checklist of actions recommended as updates to the 2009 Parking Management Plan.

| Management Focus Area | Strategy | Action | Timeframe |
|---|---|---|---|
| **Downtown** | 1: Reduce On-Street Permits Issued in the Downtown | Continue to reduce the number of on-street permits issued for use in the Downtown. | Near-Term (6-18 months) |
| | 2: Reevaluate On-Street Monthly Permit Fees | Evaluate increasing fee of monthly parking permits in the public supply (on- and off-street) to honor 85% occupancy standard and to minimize existing waiting list (find market demand). | Near-Term (6-18 months) |
| | 3: Standardize On-Street Meter Rates | Standardize all on-street meter hourly rates throughout the Downtown, so that hourly rates are consistent in all metered on-street stalls in Downtown Oregon City. | Near-Term (6-18 months) |
| | 4: Eliminate On-Street No-Limit Stalls in the Downtown | Eliminate the remaining No Limit On-Street stalls downtown to encourage short-term visitor/customer stays and transition longer-term stays (3-hours plus) to off-street options or alternative modes. | Near-Term (6-18 months) |
| | 5: Encourage Shared Use Off-Street Parking | Continue to encourage off-street shared use parking opportunities in private lots Downtown (for both employee and visitor uses). | Near-Term (6-18 months) |

| Management Focus Area | Strategy | Action | Timeframe |
|---|---|---|---|
| | 6: Reduce the Number of On-Street Long-Term Parking Stalls | Convert the 4 and 8-Hour stalls to 3-Hour stalls in Downtown to encourage short-term visitor/customer stays and transition longer-term stays (3-hours plus) to off-street options or alternative modes. | Near-Term (6-18 months) |
| | 7: Adjust Enforcement Hours in Accordance with Current Parking Demand | Adjust enforcement hours to 10:00 AM – 7:00 PM to better account for parking use trends and support evening business hours. | Mid-Term (18-36 months) |
| | 8: Initiate Saturday Enforcement | Extend enforcement to Saturdays to prioritize customer access to street-level businesses. | Mid-Term (18-36 months) |
| **The Bluff** | 9: Implement 3-Hour Time Limits on Blocks Adjacent to Commercial Areas | Convert on-street No-Limit stalls abutting commercial zoned areas to 3-Hour time-limited stalls. | Mid-Term (18-36 months) |
| | 10: Sell a Controlled Number of On-Street Employee Parking Permits | Allow a controlled number of on-street employee permits on commercial streets in proximity to the elevator. | Near-Term (6-18 months) |
| | 11: Protect Residential Neighborhoods from Commercial Spill Over | Convert on-street No-Limit stalls abutting residential zoned areas to 2-Hour time-limited stalls or by permit. | Mid-Term (18-36 months) |
| | 12: Expand Residential Parking Permit District | Expand the Bluff's residential permit program to mitigate any issues arising from commercial parking overspill into neighborhoods. | Near-Term (6-18 months) |

| Management Focus Area | Strategy | Action | Timeframe |
|---|---|---|---|
| | 13: Allow for and Encourage Shared Use Off-Street Parking on the Bluff | As in the Downtown, encourage shared use off-street parking opportunities in private lots to provide parking to long-term users (helping to mitigate spill over in residential areas). | Near-Term (6-18 months) |
| **Reaffirm Previous Recommendations** | 14: Allow Exemption Requests to the Standard Time Stay | Create an exemptions process for Downtown/Bluff businesses to request on-street stalls that are not of the base parking standard (2-Hour/3-Hour), as a means to address quick trips to downtown (e.g., 15/30/60/90 minute stalls, loading zones, e-deliveries). | Mid-Term (18-36 months) |
| | 15: Continue Public Involvement in Parking Management | Establish a Parking Advisory Committee to review the Parking Management Plan and to maintain the role of downtown stakeholders, staff, and City leadership to assist in implementation of the updated strategies of this plan. (NOTE: the Oregon City TDM Work Group may already fulfilling this role) | Near-Term (6-18 months) |
| **System-wide Recommendations** | 16: Produce Annual Parking Performance Status Dashboard | Publish an annual Parking Performance Status Dashboard outlining key parking metrics, such as parking occupancy data, financial information, enforcement performance, etc. | Mid-Term (18-36 months) |
| | 17: Measure Performance - Parking Utilization | Develop a reasonable schedule of data collection to assess performance for both the Downtown and the Bluff. | Mid-Term (18-36 months) |

# Appendix A: Inventory Summary Report

# Appendix B: Data Summary Report

# CITY OF OREGON CITY

625 Center Street
Oregon City, OR
97045
503-657-0891

Staff Report

| | | | |
|---|---|---|---|
| **To:** | City Commission | **Agenda Date:** | August 12, 2025 |
| **From:** | Tony Konkol, City Manager | | |

## SUBJECT:

Discussion of Non-Taxable Properties

## STAFF RECOMMENDATION:

For discussion

## EXECUTIVE SUMMARY:

The City Commission requested a work session to discuss options to offset the impacts of non-taxable properties throughout Oregon City, which utilize public services and do not contribute to the general fund due to the property tax exemption a property or use has received. The City of Oregon City has many state, county, educational, and non-profit organizations located in the city limits that provide many resources to the community, but also have impacts on public services and are exempt from paying property taxes, the main revenue source for local jurisdictions in Oregon, including Oregon City.

The city has currently implemented the Pavement Maintenance Utility Fee (PMUF) and the Community Safety Advancement Fund (CSAF), which are charged to every utility customer in the city, regardless of the tax status of the property or organization. The fee ensures that all property owners in the city that receive a utility bill contribute to the service being provided and funded by the fee.

Examples of agreements that have been made that help offset the impact on public services include the agreement with the Oregon City School District to provide a portion of funding to support a School Resource Officer and the good neighbor agreement with Water Environmental Services to provide funding to make improvements around the Cove. In both cases, tax-exempt entities have entered into voluntary agreements with the City to provide additional resources to address and/or improve the level of service within the City.

As additional information, please find attached a policy brief from the Lincoln Institute of Land Policy which outlines the Payment in Lieu of Taxes (PILOT) that are collected in some states throughout the country to help offset the revenue losses from property tax exemptions and the Oregon Local Revenue Tools Guidebook that was created by the League of Oregon CIties.

## BACKGROUND:

**OPTIONS:**

1. Provide staff direction as appropriate

# NONPROFIT PILOTS

## (PAYMENTS IN LIEU OF TAXES)

POLICY BRIEF

*By Daphne A. Kenyon and Adam H. Langley*

Local governments forgo roughly 4 to 8 percent of total property tax revenues each year due to the exemption for hospitals, universities, and other charitable nonprofits.[1]

In all 50 states, property owned by charitable nonprofits and used for a tax-exempt purpose is exempt from the property tax. Despite the benefits these institutions provide, including valuable services and jobs for residents, they also impose costs for police and fire protection, street maintenance, and other public services. The property tax exemption can fiscally strain local governments and shift a larger share of the property tax burden to home owners and businesses.

To help offset revenue losses from the property tax exemption, some local governments ask nonprofits to make voluntary payments in lieu of taxes (PILOTs).[2] PILOTs are typically far less than what nonprofits would pay if they were taxable, but they can contribute significantly toward the cost of the public services they consume.

As of 2012, at least 218 localities in 28 states had received PILOTs, amounting to more than $92 million per year.

Most PILOT revenue comes from "eds and meds" in the Northeast. Colleges contribute about two-thirds of PILOT revenue, and hospitals pay another quarter (figure 2). The Northeast accounts for roughly 75 to 80 percent of PILOT activity. Boston, Providence, New Haven, Baltimore, and Pittsburgh are some of the major cities that have received PILOTs (table 1).[3] Nonprofit property is highly concentrated in a small number of jurisdictions—namely college towns, state capitals, and central cities.

PILOTs go by many different names, including "service fees," "voluntary contributions," or simply "gifts." To add to the confusion, the term "payment in lieu of taxes" is also used to describe payments from businesses, state or federal government, public universities, and public authorities. This policy brief covers all voluntary payments made by private nonprofits as a substitute for property taxes, regardless of what they are called.

Figure 1

**States with Localities That Receive PILOTs (2000–2012)**

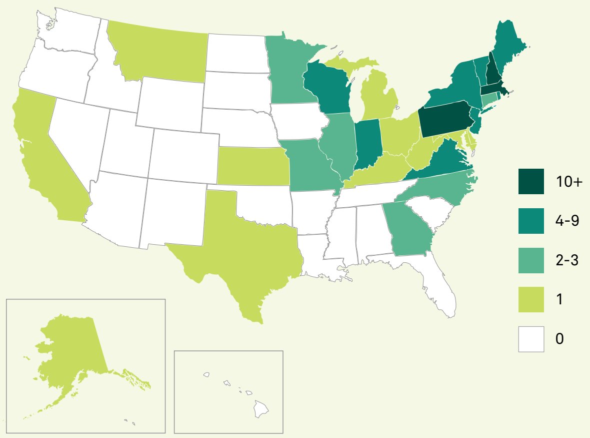
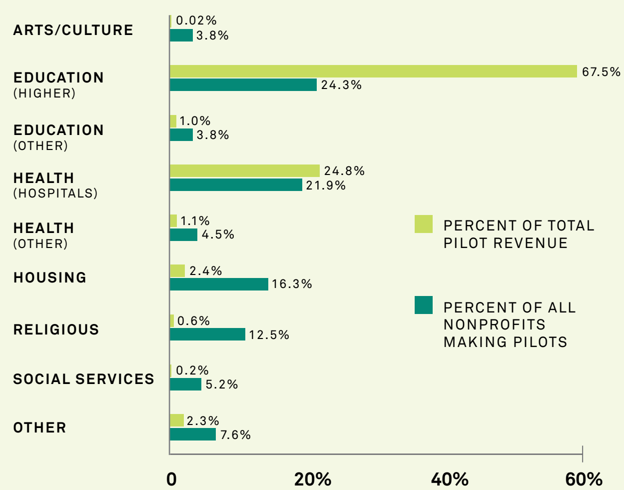



Figure 2

**Types of Nonprofits That Make PILOTs**




Source (figures 1 and 2): Langley, Kenyon, and Bailin (2012).

LINCOLN INSTITUTE OF LAND POLICY

## Why Is There Growing Interest in PILOTs?

- **Anti-tax sentiment.** The current political environment has led local governments to seek alternative revenue sources rather than raise taxes.

- **The Great Recession.** Many local governments have faced severe fiscal pressures and have sought new revenue sources to compensate for declines in state aid, property taxes, and other revenue sources since the late 2000s.

- **The health and education sectors' increasing share of the U.S. economy.** A rise in the share of property owned by tax-exempt nonprofits has diminished the local property tax base. One analysis found that between 2006–2007 and 2011–2012, the share of total assessed value that was tax-exempt had grown in 16 of 20 large U.S. cities.[4]

- **Declining support for the nonprofit tax exemption.** As some hospitals aggressively pursue unpaid bills for uninsured patients, colleges raise tuition, and nonprofit executives receive very high compensation, some voters are questioning the charitable nature of these institutions.[5]

## Why Do Nonprofits Choose to Offer PILOTs?

- **A sense of community responsibility or enlightened self-interest.** The success of many nonprofits depends on the success of their host community. PILOTs help to pay for policing and other services that improve the city's quality of life and benefit the nonprofit.

- **Coercive tactics.** One strategy used by local governments to gain leverage in PILOT negotiations is to request a PILOT when a nonprofit needs a building permit, zoning change, or some other approval from the city. Nonprofits may view these requests as extortion while others see the payments as bribery for special treatment. In some cases, nonprofits agree to PILOTs after the city or state has threatened to impose a new tax or fee. Finally, some nonprofits have made PILOTs to avoid challenges to the organizations' tax exempt status. These coercive tactics sometimes "work" in the sense that they lead to large PILOTs, but they backfire at least as often—driving nonprofits away from the negotiating table and leaving the city with no PILOT, a damaged reputation, and possible legal fees.

Table 1

**U.S. Cities That Receive the Most PILOT Revenue**

| City | State | Year | PILOT REVENUE | | Number of Nonprofits Making PILOTS |
|---|---|---|---|---|---|
| | | | Total $ | % General Revenue | |
| **Boston** | MA | 2015 | 27,925,183 | 0.84% | 36 |
| **New Haven** | CT | 2015 | 10,936,010 | 1.49% | 2+ |
| **Providence** | RI | 2016 | 8,233,374 | 0.94% | 7 |
| **Cambridge** | MA | 2015 | 6,919,135 | 0.64% | 15 |
| **Princeton** | NJ | 2015 | 3,610,000 | 5.93% | 6 |
| **Erie*** | PA | 2015 | 2,862,897 | 0.44% | 13 |
| **Baltimore** | MD | 2015 | 2,411,533 | 0.07% | 15 |
| **Lancaster** | PA | 2015 | 1,614,344 | 2.08% | 38 |
| **Lebanon** | NH | 2016 | 1,553,546 | 4.78% | 1 |
| **Ithaca*** | NY | 2014 | 1,550,619 | 0.86% | 2 |
| **Pittsburgh** | PA | 2015 | 419,000 | 0.07% | 41 (in 2012) |

Note: This table shows updated data for localities identified as receiving the most PILOT revenue in a 2012 survey that still receive a PILOT. (Langley, Kenyon, and Bailin 2012).

* Table shows combined PILOT revenue for the city, county, and school district.

** General revenue is from the Census Bureau's 2013 Survey of State and Local Government Finances, but adjusted for inflation to match year with PILOT revenue for each city.

### PROs of PILOTs

- **Nonprofits should pay for public services they consume.** Nonprofits depend on a range of public services for their operations—police and fire protection, street maintenance, snow removal, and more. It is reasonable to expect nonprofits to offer PILOTs to help cover their share of these service costs. Otherwise, home owners and businesses will need to pay more taxes to cover these costs.

- **The benefits and costs of the property tax exemptions are distributed unevenly.** One common rationale for the nonprofit exemptions—the quid pro quo theory—is that because nonprofits provide public benefits, they deserve a tax subsidy. However, there is a geographic mismatch between the benefits and costs of nonprofit activities, with broadly dispersed benefits and highly concentrated costs. For example, a university's education and research activities often benefit an entire state and in some cases the whole world, but the cost of providing police and fire protection for the university is borne entirely by city taxpayers. PILOTs help address this spatial mismatch by diminishing the share of the cost borne by city taxpayers.

- **Greatest tax savings go to nonprofits with the most valuable properties, not those that provide the most valuable services.** Only about one-third of nonprofits own property, so the majority of nonprofits receive no tax savings from the property tax exemption. Among nonprofits that do own property, average tax savings for hospitals ($3.7 million) and higher education institutions ($2.9 million) are much greater than average savings for nonprofits that provide human services ($107,156), community improvement ($88,327), housing and shelter ($76,111), and all other types of organizations.[6] Thus, the nonprofit tax exemption is a very imprecise subsidy for encouraging charitable activities. Because most PILOT revenue comes from hospitals and colleges, PILOTs can help address this imprecision.

### CONs of PILOTs

- **PILOT negotiations are often contentious, ad hoc, and secretive.** Local governments sometimes use very agressive tactics to try to compel nonprofits to make PILOTs. These measures can erode important relationships between governments and nonprofits and damage each side's reputation even if they ultimately generate zero revenue. In addition, the voluntary nature of PILOTs means the amount is usually determined in an ad hoc manner; similar nonprofits may pay very different amounts, and small nonprofits may pay more than much larger organizations. Finally, PILOTs are often determined in secretive private meetings in contrast to decisions about taxes that result from public debate.

- **PILOTs provide limited revenue.** PILOTs account for less than 0.25 percent of general revenues for 70 percent of localities with data, and more than 1 percent of revenues for just 11 percent of localities, according to the most comprehensive analysis of PILOTs to date.[7] Table 1 shows PILOTs as a percent of general revenue for localities receiving the most PILOT revenue in a 2012 survey. The revenue potential of PILOTs is usually far lower than the proceeds of higher tax rates, higher fees, or an expanded tax base.

- **PILOTs could lead nonprofits to raise fees or cut services.** The funds for PILOTs do not come out of a black box; nonprofits will need to increase revenues and/or cut spending to cover this cost. This response will vary across organizations. An increase in fees is one of the most likely responses to a PILOT because many nonprofits receive a large share of their revenue from fees and have some flexibility to raise prices without facing a significant drop in demand for their services. For example, a college could increase tuition or a hospital could increase some fees. It is also possible that a nonprofit would cut some charitable services that are not central to their core mission. However, as long as PILOTs are truly voluntary, it is unlikely that a nonprofit would make a major operational change or cut key services when it can simply say "no" to the PILOT request.

## Recommendations

**Keep PILOTs voluntary and avoid undermining the charitable tax exemption itself.** Nonprofits sometimes worry that the term "payment in lieu of taxes" creates the impression that they should be paying taxes and could undermine their tax-exempt status in future court decisions. These organizations may prefer to call their payments "voluntary contributions" or "service fees." Many long-term contracts for PILOTs stipulate that they are voluntary and in no way alter the nonprofit's tax-exempt status.

**Communicate respectfully.** Collaboration between nonprofits and local government is the foundation for effective PILOTs. These payments are voluntary, so local officials must explain the need for a PILOT, demonstrate that they are trustworthy partners who will use the funds efficiently, acknowledge nonprofits' contributions to their community, and listen to their concerns. For example, in 2011, Providence faced a $110 million budget deficit and possible bankruptcy. Mayor Angel Taveras raised taxes, closed some public schools, reworked labor contracts, and suspended cost of living adjustments for its public pensions. He also said "shared sacrifice" meant that nonprofits should increase their PILOTs. It took longer than a year, but ultimately the city negotiated PILOTs worth an additional $48 million over 11 years from the city's seven largest nonprofits, which helped the city avoid bankruptcy.[8]

**Justify the amount of the PILOT.** The amount of a PILOT should reflect the cost of providing services to a nonprofit and use some basis to calculate a payment. In Boston, for example, about 25 percent of the City's budget goes to core public services that directly benefit nonprofits—police and fire protection, street cleaning, and snow removal—so a PILOTs Task Force determined that the contribution should equal 25 percent of what a nonprofit would owe if fully taxable.[9]

**Earmark PILOTs for public services consistent with a nonprofit's mission.** Some nonprofits worry that making an unrestricted contribution to local government violates their mission or will upset donors. An alternative is to target a PILOT to fund activity that directly benefits the nonprofit or otherwise supports its mission. In Worcester, Massachusetts, earmarking funds broke an impasse in PILOT negotiations. University funds were used for the City's public library and improvements to public parks near their campuses.[10]

**Pursue long-term PILOT agreements.** Renegotiating PILOTs every few years imposes costs on all parties and can become contentious. Long-term agreements, ranging from 5 to 30 years, provide a predictable revenue stream for local governments and a known budget number for nonprofits. Typically, these contracts specify a payment in the base year, an inflator so that PILOTs keep up with inflation, and a number of years for payment.

**Reduce cash PILOTs if a nonprofit agrees to provide new services to local residents.** Most nonprofits strongly prefer to provide services rather than make cash PILOTs, but local governments typically prefer cash, which can be used to fund their highest priorities. City officials and nonprofit leaders can identify which services would be most valuable for local residents and most appropriate for each nonprofit to provide. Boston's PILOT program allows nonprofits to reduce their cash contributions by up to half for providing certain community benefits.

**Acknowledgment**
We are grateful to Bethany Paquin for her research assistance.

### NOTES

1 Daphne A. Kenyon and Adam H. Langley, *The Property Tax Exemption for Nonprofits and Revenue Implications for Cities* (Washington, DC: Urban Institute, 2011).

2 For a comprehensive report on PILOTs, see Daphne A. Kenyon and Adam H. Langley, *Payments in Lieu of Taxes: Balancing Municipal and Nonprofit Interests* (Cambridge, MA: Lincoln Institute of Land Policy, 2010).

3 Adam H. Langley, Daphne A. Kenyon, and Patricia C. Bailin, "Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them" (Cambridge, MA: Lincoln Institute of Land Policy, 2012).

4 Mike Maciag, "Tax-Exempt Properties Rise as Cities Cope with Shrinking Tax Bases," *Governing*, November 2012.

5 Kenyon and Langley (2010), see footnote 2.

6 Joseph J. Cordes, "Assessing the Nonprofit Property Tax Exemption: Should Nonprofit Entities Be Taxed for Using Local Public Goods?" in *Value Capture and Land Policies*, ed. Gregory K. Ingram and Yu-Hung Hong (Cambridge, MA: Lincoln Institute of Land Policy, 2012).

7 Langley, Kenyon, and Bailin (2012), see footnote 3.

8 Emily Badger, "An Uneasy Peace for a Cash-Strapped City and Its Prestigious Nonprofits," *The Atlantic Cities*, December 19, 2013.

9 Ron Rakow, "Payment in Lieu of Taxes: The Boston Experience," *Land Lines*, January 2013.

10 Daphne A. Kenyon and Adam H. Langley, "Payments in Lieu of Taxes by Nonprofits: Case Studies," *State Tax Notes*, July 18, 2011.

# Oregon Local Revenue Tools GUIDEBOOK

League of Oregon Cities

DECEMBER 2024

ECOnorthwest

# Acknowledgments

ECOnorthwest prepared this guidebook with the assistance and input of several partners including members, staff, and leadership of ***the League of Oregon Cities***. They commissioned this guidebook to complement their existing research on municipal revenue options.

The broader research was led by ***Christian Gaston (Sound and Vision Agency, LLC)*** with the support of ***Mark Wiener (Winning Mark).*** They were essential in developing Part 1 of this guidebook.

We also appreciate the involvement and input of ***Sarah Emmans (SME Consulting, LLC), Deb Galardi (Galardi Rothstein Group)***, and ***Nick Popenuk (Tiberius Solutions)***. They reviewed and revised the content in Part 2 of this guidebook.

That assistance notwithstanding, ECOnorthwest is responsible for the content of this guidebook. The staff at ECOnorthwest prepared this report based on their general knowledge of revenue tools in Oregon. ECOnorthwest staff contributing to this study included Celia Beauchamp, Becky Hewitt, Lorelei Juntunen, James Kim, Natasha Pettit, Emily Picha, John Tapogna, and Ciara Williams. ECOnorthwest also relied on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, and other sources believed to be reliable. Any statements that are non-factual in nature constitute the authors' current opinions, which may change as more information becomes available.

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# Table of Contents

# HOW TO USE NAVIGATIONAL CONTROLS

This guidebook is designed with navigational features to make it easy to use.

**Table of Contents**

At the bottom right of each page is a button you can click on to go to the table of contents. In the table of contents, you can navigate to different parts of the guidebook.

**Goods and Services**

**Taxes on Income**

**Taxes on Property**

**Fees and Charges**

Revenue tools in the guidebook are organized into four categories. At the introduction of each category of tools are buttons to navigate you to the other three categories. These pages also include page numbers of each tool within the category that you can click on to navigate to that tool.

**Additional Resources**

Resource Name (Author, Year)

There also are many resources hyperlinked in this guidebook. These additional materials can help you better understand specific concepts or revenue tools.

# INTRODUCTION

## Purpose

The guidebook is intended to help city staff and elected officials make sense of the revenue options they can pursue at the local level without statewide legislative or constitutional changes.

Part 1 of this guidebook is called ***Getting to a Yes: Developing a Revenue Strategy***. This section describes a step-by-step process for evaluating funding options and engaging stakeholders in implementing a new funding strategy.

Part 2 helps cities find and assess suitable revenue options for funding city services and infrastructure needs. The tools reviewed are organized into four categories:

(1) taxes on goods and services

(2) taxes on income

(3) taxes on property

(4) fees and charges

While this is not a comprehensive list of all revenue tools, it is a detailed list that elected officials and city staff may be looking for. Each section describes the tool, examines key considerations for its implementation, and includes examples of how communities have implemented the revenue tool in Oregon.

The guidebook was completed in December 2024 based on information that was known at the time. It does not reflect changes from the 2025 Legislative Session, future legislations and ballot measures, or court decisions.

# Background

The guidebook complements other LOC efforts to study the viability of revenue reforms, including changes to the property tax system. Municipalities find it challenging to keep up with the rising cost of providing services when property tax revenues—usually their main funding source—are restricted from growing as quickly. To address this, LOC tasked a group of local experts to explore potential reforms and assess whether meaningful reform is possible.

This guidebook builds on insights and themes from the 2024 revenue reform research process. While the guidebook's main purpose is to summarize public information about revenue options available to Oregon cities, it is informed by findings from community focus groups and surveys from related policy research.

Some key findings informing this guidebook include the following:

- Many Oregonians believe the property tax system is outdated and does not work well.
- They are cautious about changes that could raise their taxes.
- Oregonians generally believe municipal revenues are sufficient to provide ongoing city services.
- Public support is greater for targeted changes, especially those that tax new developments, visitors and tourists, and large businesses.

Before diving into the details, there's an essential mindset required for working through this material.

This toolkit is designed to help Oregon cities address a growing problem: the gap between the demand for services and the revenue available to provide them.

For elected leaders and staff, that challenge is understandably often approached from a technical and policy perspective. For example, you might ask: *What tools are available? How would they work given the unique needs, economies, and legal and governance frameworks of a particular city?* These are the questions that this guidebook is aimed at helping city leaders to answer.

But these policy considerations have little to do with the most fundamental question: *How can a change in revenue generation actually be achieved?*

Whether revenue reform must be referred to the ballot or is a legislative enactment subject to citizen referendum, any substantial proposal will ultimately have to travel through voters. Your constituents do not see this through the lens of public policy. They think about it the same way they think about spending their own money.

So, city leaders should think of voters as customers. To win their support for any revenue increase, you need to approach it like a sale, asking questions like:

- Do your customers believe that there is a real need or problem?
- Do they believe that your proposal will meet that need or solve that problem?
- Do they think the outcome would be worth the cost?
- Can they afford it?
- Do they have confidence in the people or institutions that will raise and spend the money?

These are sequential questions—each is a gate you must pass through before you can ask and answer the next question.

The public opinion research shows the environment is tough for public finance. Many state and local governments have seen this firsthand. But "challenging" doesn't mean "impossible." Communities have succeeded in raising revenue by clearly identifying needs, communicating them effectively, and offering solutions that feel both relevant and compelling to their citizens—this guidebook provides a detailed and proven methodology for doing just that. Still, you must remember that success is neither guaranteed nor easy: it takes time and hard work.

Confidence is fundamental to success. Anyone who runs a business understands that their relationship with their customers is essential to their success. People buy when they believe in your product, trust your brand, and feel respected. That trust builds loyalty that carries through both good and bad times.

That same dynamic applies to raising revenue. Some may see this as a "different" skill set than the administrative task of running a government. But earning public trust and communicating value are at the heart of successful governing and are the mindset this guidebook is built around.

# PART 1. GETTING TO A YES: DEVELOPING A REVENUE STRATEGY

Cities play a vital role in addressing key issues that matter most to voters and most impact their quality of life, such as clean and safe drinking water, public safety and transportation. Voters often not only see cities as the primary providers of those government services, but often hold them accountable for services and outcomes that extend beyond the authority of the city council. Yet at the same time, if voters are asked if cities need more money to provide these services, the answer is often "no."

- **63% of Oregon voters believe cities raise enough revenue to maintain the current level of city service and only 22% believe more revenue is needed.**

*Source: 2024 LOC polling results*

In Oregon, limitations on property taxes mean that city general fund revenues often fall short of covering the rising cost of providing city services. This has created a complex and difficult landscape for city leaders where basic revenues do not adequately fund essential city services. Across the state, many cities have supplemented their property tax revenues with a range of other revenue tools. (This guidebook explores those tools in greater detail starting in Part 2.)

But at the heart of any revenue strategy must be a plan to secure public support. That's what we call getting to a "yes."

**Why is municipal finance so hard in Oregon?**

Oregon adopted an income tax in 1930 to replace a state property tax. Efforts to establish a state sales tax have failed nine times at the ballot since 1933, with the "no" vote exceeding 70 percent of voters. General local sales taxes have failed too.

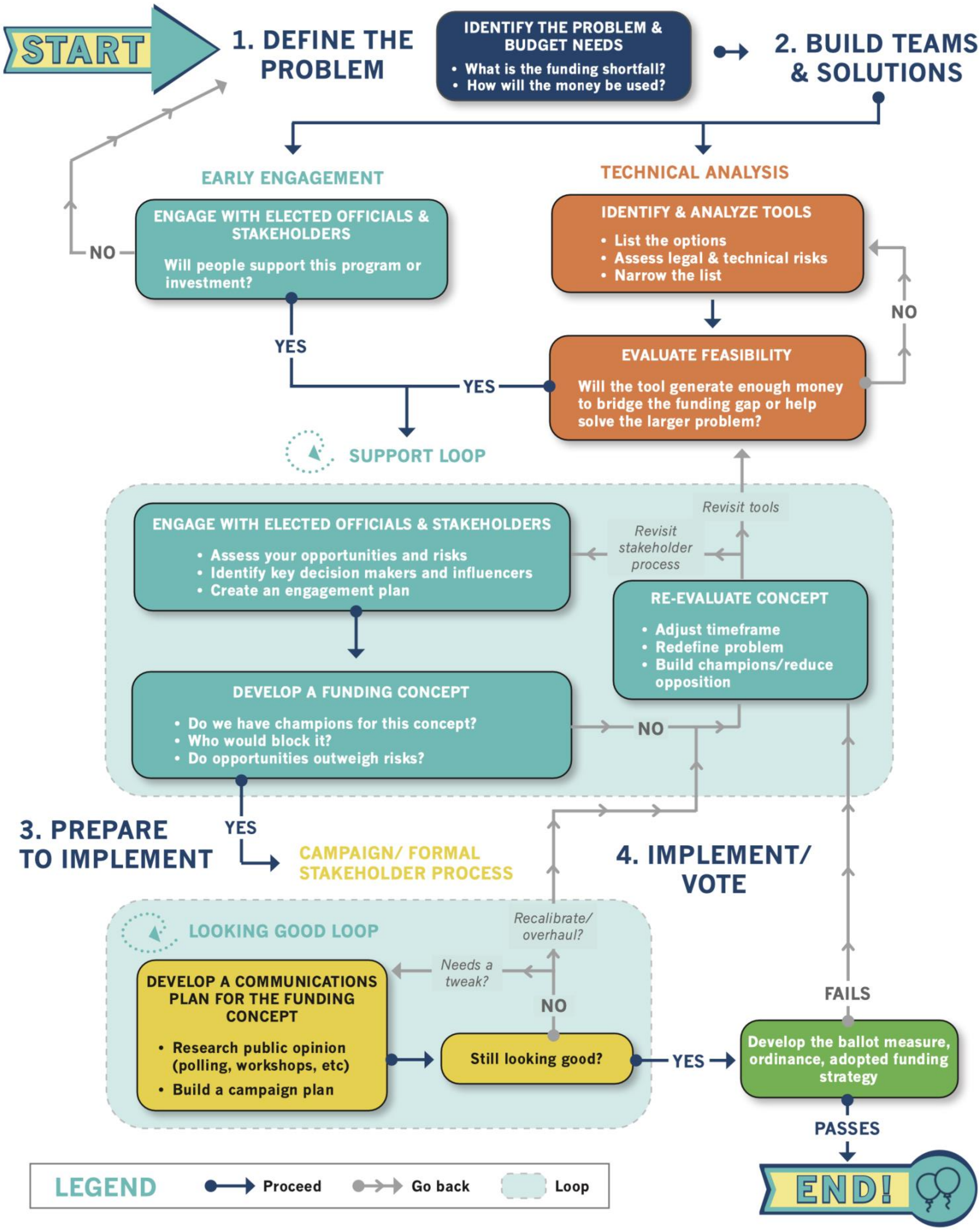
Cities, counties, and school districts had relied heavily on property taxes to fund services. Before the 1990s, local governments built a budget and spread out the cost among property owners in their jurisdiction. This "levy-based" tax system often created large changes year over year for taxpayers

But, in 1990, Measure 5 established caps on property taxes: $10 per $1,000 of property value for general government and $5 per $1,000 of property value for education services. Tax collections dramatically fell for many jurisdictions. The state legislature stepped in to address the shortfall in education funding.

In 1997, voters adopted Measure 50 to make property taxes predictable and separated the property tax from market values. Each year, county assessors could increase the assessed value by up to 3 percent if it remained lower than the property's real market value. The total cap from Measure 5 remained in place.

Because of these property tax limits, the property tax revenues for Oregon cities grow more slowly than market values and, in many years, the rising cost of service.

# Getting to a Yes



# Phase 1: Define the Problem

*What is the funding shortfall, and how will the money be used?*

First, let's step back and ask why we have a problem. Are there public safety services that can't be paid for with existing funds? Maybe there's a city building that needs renovation, but there isn't enough to pay for the needed repairs. Whether the expenses are ongoing or one-time-only, raising new revenues to pay for them will require a comprehensive plan.

That starts with identifying the problem in a way that the public can understand.

The problem will vary by jurisdiction. For example, a police station needs rebuilding, or it might need upgrades. Firefighters may need more resources to maintain staffing levels, serve new neighborhoods, or keep local insurance rates down. New revenue could fund specific programs for libraries or social services. There could also be a fundamental budget problem—not enough revenue and too many costs that cannot be reduced.

The problem that you have identified must be tangible—something that the public sees as an urgent issue worth solving.

## Capital Projects

A campaign to pay for a capital investment, such as a new building, will need to both (a) focus on transparency about construction costs and timelines and (b) emphasize strong leadership and oversight to build public confidence. Often voters are more receptive to property tax bonds that pay for capital projects rather than ongoing service levies because they have fixed, time-limited costs and a clearly understandable "product" that will be around for a long time.

**Revenue tools often used:** property tax bonds and system development charges.

## Services or Programs

A campaign to pay for ongoing services, such as additional police patrols, more librarians to keep the city library open longer, or firefighters to improve response times, is often met with greater skepticism from voters than capital campaigns. Voters aren't simply being asked to fund a building, but rather ongoing government services. Here, it's important to build confidence among stakeholders in the budget process itself. Moving past initial skepticism that existing resources could be reallocated to better provide service is key. The value of having a specific program or service to rally around is important. It helps outline clearly the number of people who could be served or a clear description of how services would be expanded. Think about the services that your community prioritizes the most in outreach sessions, at city council meetings, or in public surveys. *How would your community like to expand those popular programs?* Engaging with the community will help uncover what kind of program analysis will be needed to present voters with a program expansion they will support.

**Revenue tools often used:** property tax levies, business income taxes, payroll taxes, utility fees, and public safety fees.

## General Revenue

Asking voters to raise general fund revenue is more challenging. Reducing opposition is often the core of these campaigns. Many cities have built successful general fund revenue campaigns around a broad coalition of stakeholders—representing a wide range of business, labor, and community interests—coming together and asking voters to support higher taxes to pay for critical services. These campaigns require strong planning processes and deep, authentic stakeholder engagement. It is also critical to be able to offer concrete services—valued by voters—that will be saved or enhanced. A revenue measure that simply goes into the general fund bucket is far less likely to prevail.

**Revenue tools often used:** business income taxes, targeted sales taxes, broader-based income or payroll taxes.

# Phase 2: Build Teams and Solutions

With a problem identified, the next step is to build a team that can develop potential solutions. There are essentially two tracks to this:

(1) doing the technical work to ensure that there are possible solution(s) and

(2) developing support for your solution(s) with stakeholders and the broader public.

These go hand in hand. A technically feasible solution cannot work without public support, and a popular idea is not useful if there is no way to make it work. So, while the work outlined in this section is described sequentially, think of it as running in parallel.

## How Can You Identify and Describe Funding Problems?

| | Capital Projects | Services |
|---|---|---|
| **Example Projects** | A new firehouse, a bridge replacement, a performing arts center | Public safety, sanitation, parking, library, parks |
| **Where Do You Learn About Them?** | Capital Improvement Plans provide a deliberate process for identifying needs.<br><br>Engagement with community members and elected officials, visioning processes. | Service line analysis<br>Level of service analysis<br>Budget committees and process |
| **Questions to Ask** | What would it take to finance this capital project?<br><br>What work would need to be done to excite the public about it? | How sure are we that we can implement new levels of service funded by the new revenue?<br><br>What kind of financial projections could we share with the public to show them that these services are worth the investment? |

**Who should be on the team?** Let's discuss the kind of leadership that's needed and examples of people who might have that expertise.

- **Will the public support this?** Your team should have leaders who have the pulse of your community. They know key leaders who can drive support in the community and reduce opposition. And they know when an idea goes too far or doesn't go far enough. Examples: Mayors, city councilors, city managers, chamber of commerce leaders, local labor leaders, community or faith leaders, and pollsters.
- **Is this legal?** You want to ensure that whoever is providing legal advice to your city council is up to date on the development of your proposal. As things change in response to analysis and feedback, the legality of a proposal could also change. Examples: City attorneys, contracted legal counsel, and bond counsel.
- **Can we actually do this?** New revenues create new opportunities for cities, but new programs can be challenging to stand up. The team also needs experts who can tell you when your project is getting too complicated, or the city just couldn't implement it. Examples: Department heads and senior managers, budget staff, and business managers.
- **Can we communicate the need?** The team should have members who will help everyone involved talk about why more revenue is needed, how the city plans to create these new revenues, and what those resources would actually fund. Examples: Communication staff, citizen advisory board participants, constituent service staff, and other frontline city staff or volunteers.

Cities with small budgets may want to work with volunteer support. Cities with larger budgets could lean on existing staff and even bring on paid consultants. That's OK, just check that everyone understands their roles and responsibilities. Where your team comes from is less important than the expertise they bring to the project.

## Technical Analysis

*Getting to a yes, technically.*

Successful projects have a strong internal technical development team, and their work runs in parallel with the stakeholder engagement process. There are strong feedback loops between the two. It's important that the technical experts are empowered to think the way voters would and have access to whatever public opinion research and stakeholder input is available. In their technical analysis, they should also be thinking: *What concerns would the general population have about this project?*

Many residents will dig deep into the details of technical reports developed for any project, and the reports should all be written with that in mind. But the real goal of the technical development team is to empower the stakeholders to tell an important story: *We identified what the community wants us to fix, and we found a solution we can all agree on.*

## Identify and Analyze Funding Tools

### List the Options

The process starts by putting together a list of options that could be analyzed. This guide includes analysis of most revenue tools cities can use to pay for funding shortfalls. Make sure to think through all your options. If you have an open mind about what revenue tool might work best for the program you're considering, you are more likely to find the option that is the best fit for what you want to do.

### Assess Legal and Technical Risks

Assess each tool for its pros and cons. There might not be a perfect tool, and a few tools might be worth further discussion for different reasons. This guidebook includes key considerations that you should think about and examples of how you might analyze the tools in your own context.

- **Legal viability: Does the city have the legal authority to implement a revenue tool to fund this program?** Have an initial conversation with legal counsel about legal viability early on. It is important to keep the line of communication with legal counsel open throughout this process. As political leadership and stakeholders add new features to a funding concept, there may be new legal challenges that weren't apparent from the outset.
- **Technical viability: Can the city actually implement this revenue strategy?** Similar to legal viability, it's important to have a core group of city staff with a deep understanding of the city's capacity to implement a revenue concept. Creating a project team of senior city staff early on can ensure that the decision-makers know the implementation and governance risks in real time. Unresolved questions about the technical viability or the cost of administering the revenue mechanism will erode support internally and/or externally.

Implementation considerations can also include how the revenue could be spent. If nearby jurisdictions already have a program like the one you're contemplating, it might be possible to work with that jurisdiction to learn lessons, adopt their policy as a model, or contract with them on implementation.

### Narrow the list

After having analyzed the tools, compare them to filter out tools that are clearly not an appropriate choice for your situation. Even after this, you are likely to end up with more questions to answer.

## Evaluate Feasibility of One or More Funding Packages

Further analyze the tools with information generated in the stakeholder engagement process. You might need to consider stakeholders' familiarity with the tools and future implications for a public campaign or education process. Some of the tools may need to be further refined or, sometimes, combined with other tools or policies into a funding package. In the end, the funding solution still needs to generate sufficient revenue to bridge the funding gap. This step may reveal a need to revisit one of the previous steps.

**Things to Remember**

**Identify validators** that can help support the city's internal technical experts. These are voices from outside the city that will back up the projections or cost estimates that are developed.

**Show your math**, in all cases. Presenting the full details of a project to a group can sometimes feel overwhelming. But make it available so that those who want to dig into it can. Transparency is key to successfully building confidence in your city's ability to do this work.

**Develop collaboratively.** It is important to ensure that your city staff aren't perceived as holding a "black box." Bring interested community members into decision-making conversations. If stakeholders ask for more detail, propose a side table or a sub-committee that can dive into those details. Getting to a yes starts with telling the public: *yes, we hear you—let's work together on this*.

## Engage with Elected Officials and Stakeholders

Again, this work runs in parallel with the technical analysis process; each work informs the other, back and forth.

### Assess Your Opportunities and Risks

With a problem defined, the next step is the development of a risk assessment framework. This will be used periodically throughout the development of the revenue plan to assess the feasibility of the plan. At this step, the key question is: *what are all the different ways that a new project could fail?*

The key to a successful risk assessment framework is that it considers the full spectrum of risk to the project. While not all projects face the same risks, below are examples of risk categories that should be considered.

**Political viability: Will people support this program or investment broadly?**

- **Who will support it?** Gauge support of key stakeholders, including the city council and mayor; labor organizations and unions; city staff leadership; local business chambers; oversight and watchdog organizations; local media; and any other critical thought leaders with influence in the city.
- **Who could block it?** Determine what could lead to growing opposition, such as an unpopular tax policy or a lack of transparency about the need for the project you're trying to fund. When opposition reaches a critical threshold, the project is likely no longer viable. This is because of the nature of tax measures. Voters hold a healthy skepticism about raising their taxes, which gives opponents disproportionate power in being able to defeat revenue measures. That makes it critically important to build a strong base of support and reduce opposition.
- **Are there any timing issues?** If your issue will go to a public vote, ask: *what else will be on the ballot?* Multiple tax measures on the same ballot could divide support.

  If the issue is going to be in front of the city council, ask: *what other issues will dominate the calendar when the council meets?* The council will want to have enough time to understand the proposal, have a robust discussion, and engage their constituents.

  If your concept is new and novel, what legal challenges could be posed against it? And if your new revenue tool were to be enacted, could opponents try to prevent future jurisdictions from following suit? Understanding the political landscape will help you understand the risks facing your policy proposal.

**Communications viability:**

- **Can the city effectively articulate the role of this revenue tool in solving the problem?** Just as a project is periodically reviewed for risks, the team should also review the ability of city staff, elected officials, and advocates to describe the problem and the proposed solution. As the project progresses through each step of work, the communications lead should update the communications plan. As you learn more about what you want to do, how you talk about what you want to do will change. Similarly, the more you know about where the public stands on your proposal, the better you will understand how to best communicate what you hope to do and align it with the values and priorities of voters.

## Identify Key Decision-Makers and Influencers

With the funding concept and a sense of its viability, you now need to identify who is leading this work, and who decides whether the project is a go, or a no-go. The key question to ask at this step is: *Who owns and champions this initiative?* Successful revenue strategies often have an owner or a champion who will see it through.

This can take many forms. In some cases, the project will be spurred on by city staff looking to close a budget hole, but the project is not viable without council or mayoral support. This may lead to city staff owning the project, but the political leadership remain the deciders. Sometimes stakeholders may propose projects—perhaps residents think that a local road needs improvement, or the city center needs beautification. It may make sense for city staff to support them to ensure that the proposed project meets legal viability and technical feasibility.

**There are three broad categories of deciders: Political leadership, city staff, and stakeholders.** Each is a broad category that could include people outside of the city. For example, when forming a special district, other taxing jurisdictions that could be subject to property tax compression may need to support its formation for it to be viable.

Think about the key leaders whose support is so critical that without it, the project would fail. Then, build a process for ensuring that you have their support. Then, build a calendar of go/no-go decision points around project milestones. The goal of this work is to maintain a close working relationship with your project decision-makers and key stakeholders so that your viability assessment is accurate.

It's also important to assess who could be opponents of your effort. Opposition can exist among political leadership, city staff, or stakeholders. There may be prominent elected officials who don't like the tax mechanism you're working on. Or it could be that within city or other government agencies, staff have reservations about the policy choices being made, or the funding goal. There could also be opposition among stakeholders outside of your organization. Working with them early to understand their opposition and potentially head it off is important to ensuring your project is successful.

One last thing. Oregon Revised Statute (ORS) 260.432 limits non-elected city officials from engaging in certain kinds of advocacy related to ballot measures or referrals once they are set for a public vote. Elected leaders cannot ask public employees, like staff, to support or oppose ballot measures, to prepare or distribute advocacy materials, or engage in other campaigning activities during work hours.

You can refer to FAQ: Restrictions on Political Campaign by Public Employees (League of Oregon Cities, 2023). Also, the Oregon Secretary of State maintains guidance on the law: Restrictions on Political Advocacy by Public Employees (Oregon Secretary of State, 2024).

## Create an Engagement Plan

Ensuring that the right people have a seat at the table can ensure that your project has more friends than enemies. That means less controversy, and less conflict heading to the ballot or a critical vote of council.

This is also an important time in the project timeline to think about the people in your community who haven't been at the table in the past. Equitable representation and engagement will strengthen your project, improve community support, and build new leadership in your city.

The best practice for ensuring broad support is a strong engagement plan. Whether this is aimed at bringing elected officials, staff, or stakeholders on board, the plan will generally include the following:

- **Initial meeting:** Bring everyone up to speed on the work, answer initial questions, outline a vision for proceeding, and provide a "parking lot" for additional feedback that doesn't need to be addressed at the first meeting.
- **Focused work groups or work sessions:** Build a committee that can work through the decision points. These could be timing decisions, policy decisions, or questions about scope. The work will aim to convince your deciders that this project is necessary, well-planned, and ready for success.
- **Side tables, advisory committees, and sub-committees:** You may need these groups to handle specialized topics like tax policy questions, building designs, program development options, and any other policy option that requires a specialized level of skill to move quickly to decision-making.

**Some things to watch out for**

As you proceed with your engagement plan, keep an eye out for signal flares. These can come in the form of letters to a stakeholder advisory committee calling into question the membership or process, an op-ed in the local newspaper, a frustrated constituent call, or a city council meeting that unexpectedly draws out opposition from the community.

These are signs that influential voices in your community either have lost confidence in the process or the project itself**.** Left unresolved, these concerns could coalesce into formal opposition to your project. While it is better to anticipate and plan for these concerns, you need to find a way to engage with those who are expressing frustration when concerns appear. Answer their questions and involve them in the process you've built if you can.

## Develop a Funding Concept

You should have a framework proposal at this point. Your technical analysis process could inform your thinking too. To feel confident that you are ready to proceed, these elements should be present:

- **The problem:** This should be robust and compelling enough so that your stakeholders and the public can rally around it.
- **The solution:** Lay out the steps it would take to solve the problem—new city services, a new building, new ongoing investment, etc. Back it up with solid analysis so even people who are new to the issue can clearly see how these actions will solve the problem.
- **General funding information:** What kind of resources are you talking about? And what mechanisms could generate those resources? And, importantly, what's the connection between the tax rate and the new revenue?

## The Support Loop

You're not always going to get things right the first time. The best way to ensure that you're driving toward a successful vote is to make sure that you are constantly asking yourself whether your proposal would be popular. Some examples of how to test your proposal include:

- Take the latest version of the proposal to your full project team and see if they think it's ready to go.
- Ask the stakeholders that you've been working with whether they would support the latest version of the proposal.
- Ask your voters by including a question on a customer satisfaction survey or running a public opinion survey.

If the proposal you've developed doesn't pass any of these tests, it's probably time to circle back and see if there's a different proposal that would pass these tests.

### Re-Evaluate Concept

Once your proposal is public, unanticipated opposition could emerge or flaws in the technical analysis could be exposed, undermining the credibility of the work done to-date. Take your time at this stage to ensure that you are ready to move forward. Check to see if you have enough support politically. If not, do more work to shore that up. Check to see if you have enough support technically. If not, go back to fill the gaps in your analysis.

# Phase 3: Prepare to Implement

## Develop a Communication Plan for the Funding Concept

A communication plan may be needed early on in a project's development. But by the time a stakeholder process has been identified, every project will need to empower its supporters with a strong narrative about why everyone is at the table trying to get this done.

Most of this work should be done already.

- **Bring people together** to talk through the difficult questions they've faced to date about the concept and work through a question-and-answer document so that major themes can emerge.
- **Think about storytelling** as a way to elevate the voices of the people who would be directly impacted by your project, and the voices of people who haven't been elevated in the past. These stories can provide a powerful narrative framework for people unfamiliar with your project to get up to speed quickly on its need and importance, and to see themselves as part of the solution.

### Research Public Opinion

Not every project will require a public vote. But every project benefits from some level of public opinion research. And not all public opinion research needs to be extensive or expensive. Workshops or advisory groups with people and organizations who are closely in touch with community members can quickly illuminate public sentiment. Some options that don't require a paid voters survey are:

**Surveys included in utility bills or other routine city mailings:** Including a voluntary survey in a mailing that the city already sends to all households is a relatively low-cost way of gathering public opinion. These surveys are not scientific, but they are informative. Remember that the people who chose to respond to your survey are not representative of those who will vote on your issue. But their opinions can help you better understand concerns in your community.

**Online surveys:** You can create the voluntary surveys online and add the links to websites, social media posts, and recurring community e-mails. You can also add the links or QR codes to the mailings mentioned above. Response rates tend to be low, and they will spike only for the first couple of days. Plan for multiple rounds of outreach and reminders.

**Stakeholder engagement and open houses:** Making space for your community to come together and express their opinions can be done at low cost. Cities often hold these kinds of open houses in the meeting rooms that the city council meets in, or in venues donated by community organizations. It's best to hold multiple open houses during different times of the day and week to accommodate as many people as possible.

Direct engagement with community members at community gatherings can be even more effective. Collect opinions from people who are gathered at a farmer's market or a city celebration, for example. If you're looking to understand the opinions of certain parts of your community, you might ask local leaders of community organizations to deliver their community's concerns.

Keep in mind that when you are using these non-scientific methods for gathering public input, the opinions of community members with accessibility challenges or who have historically been excluded or underrepresented from civic participation will likely be underrepresented here. Keep that in mind as you utilize what you've learned from these processes to help inform your next steps.

Alternatively, a well-crafted survey of voters with neutral questions can help you quickly understand the following:

- **Viability of a public vote:** If you put it to voters, how many would support it? Aim for more than 60 percent of respondents as a baseline. And even if a vote is not required, understand the ability and inclination of opponents to gather signatures for a referendum.

FAQ on Initiatives and Referendums in Oregon (League of Oregon Cities, 2023).

- **Messaging:** What key messages move people from opposition to support? And how do you best explain what you're trying to do so that the most people understand it?
- **Project elements:** If your project goes to voters, you can learn what pieces help build support and which don't. If the project doesn't require a public vote, you can learn what project or policy elements are most popular with your community.

To get representative results, your poll questions should closely resemble what voters will see on the ballot. This includes drafting potential ballot language, estimating revenue, setting a tax rate, and providing a clear description of policy outcomes. Ensure legal counsel and your pollster review these details before fielding the poll.

## Build a Campaign Plan

Even if a project doesn't require a public vote, it still benefits from a campaign led by community voices. A volunteer-led effort can build support and reduce opposition. Before a vote, engage three key groups in the campaign: supporters, opponents, and funders. Each should have clear roles and expectations leading up to Election Day:

- **Supporters:** This could be a kitchen table of advisors, made up of leaders among your stakeholder table that can help the Mayor and councilmembers build community support for your project. It could also be a more formal table of people who are willing to raise funds for paid communication supporting your project.
- **Opponents:** Think about who would oppose your project. Have they been engaged in your stakeholder process? If not, why not? Building a bridge to opponents early on can reduce opposition. If your project faces a funded "No" campaign, your initial support in a poll will need to be

higher because negative messaging will move some supporters to the opposition.

- **Funders:** Think about the resources both sides of a potential campaign would bring. The group with the larger set of resources to communicate with voters will have an easier time delivering their messages and moving people to their side of the issue. If your project is on the wrong side of that equation, you should question its viability. A clear understanding of the costs associated with a campaign should be developed with the help of campaign professionals, and that cost should be used as a benchmark for gauging the capacity and willingness of funders.

Again, there are restrictions on political campaigning by public employees. You can refer to FAQ: Restrictions on Political Campaign by Public Employees (League of Oregon Cities, 2023).

## The Looking Good Loop

At this point, it makes sense to take a step back and assess where things stand. If things are looking good, it's time to build the campaign to get your project across the line. But if trouble is emerging, it's worth circling back to sort that out before moving ahead. Some things to watch out for:

- **Low or soft public support:** Polling helps gauge support for your proposal. Strong supporters are key, as they are less likely to shift and more likely to help during a campaign. If your concept relies mainly on lukewarm supporters, it may be vulnerable to opposition. If you decide not to poll, you can assess support through surveys of stakeholders or community members.
- **Strong opposition:** Whether or not you use polling, gauge if strong opposition is emerging. Opposition can easily cast doubt and is harder to overcome than building support. If you notice growing resistance, take time to understand and address concerns before a formal vote—it will be much harder to resolve them afterward.
- **Logistical challenges:** Hiccups may signal the timing isn't right. If fundraising seems difficult or stakeholder meetings lack a quorum, it may indicate weak support, suggesting more time is needed to build enthusiasm. A crowded ballot could also point to the need to reconsider the timing for the ask. If elected officials are unresponsive or reluctant to endorse the project, this could signal growing opposition. Think about the logistical challenges ahead and ask yourself if they just need more work, or if they're signs of weakness that should be shored up.

# Phase 4: Implement/Vote

## Develop the Ballot Measure, Ordinance, or Other Funding Strategies

Before heading into the final step that either adopts a revenue tool through an ordinance or sends the question to voters, you should work to synthesize everything you've learned up to this point.

Each document developed for this moment is an important messaging tool. Reporters, the public, supporters, and opponents will look at the ordinance that the city council votes on, the measure ballot title that the voters vote on, and any staff report for reasons to support or oppose your project.

**Make your messaging clear:** Think about how the general public will receive your messaging documents. Make sure that they are addressing, to the extent they can, the questions the public posed along the way. A clear, understandable ballot title that represents the public's attitudes will be much more successful at the ballot. Ballot language is too often drafted by lawyers to simply meet technical requirements, using legal jargon that does not adequately communicate what voters are being asked to pay for and why. Anything that appears on the ballot must also pass through the filter of the public's interest.

**Take your time:** Don't be afraid to take the time to get things right. By this step in the process, a range of stakeholders and deciders may want to hurry up and move. But if there are still red flags, you're better off waiting for the correct political moment than sending a measure toward defeat. It's easier to wait for the right moment than rebuild after failure. Consider:

- **What else is on the ballot?** A competing measure that's also asking voters to raise taxes could draw support away from your own measure. If there are too many measures on a particular ballot, voters sometimes experience decision fatigue, diminishing support for all measures.
- **What type of election year is it?** Odd-year elections typically have lower voter turnout than even-year elections because the national political campaigns for president drive up voter turnout. If your measure is alone on the ballot, with no other issue to vote on, the election could have low voter turnout, which will change the electorate. What a low voter turnout election means varies widely from jurisdiction to jurisdiction, but generally older, more enfranchised voters are more likely to vote in a low-turnout election. While younger, less enfranchised voters will likely sit it out.

# Final Word

Whether your project succeeds or not, your community will remember it. Keep thorough records. This may be the first in a long line of revenue changes for your community, and future organizers will look back on your efforts in order to build on them.

In the same way, it's important to recognize that political coalitions like those that form around new revenue efforts can last a long time. Fostering those bonds and ensuring that people continue to work together to improve their communities can turn a single victory into a chain of victories. It can also turn a defeat into a victory down the road.

Just like it's important to take your time before heading to the ballot or the city council, it's important to take your time afterward to ensure you draw the correct conclusions about your victory or loss. *What are people in your community saying about it? What's the take of people outside your organization? What are opponents saying?*

Successful cities are reflections of their residents. Understanding how your project is remembered will guide future efforts. It will help you better serve your community.

# PART 2. REVENUE TOOLS

This section dives into funding tools available to Oregon cities. The following few pages describe which tools are covered or excluded and offer tips on using the considerations in the guidebook. Doing a technical analysis of funding tools is mostly about listing all the reasons for and against each tool and comparing them. This is qualitative work, and the conclusions heavily depend on the local context. The tables below illustrate one version of this assessment. They are meant to be practical examples that help cities start their process of evaluating and selecting funding tools that best suit their unique needs.

## What Tools are Included?

This section includes 19 of the most common revenue tools available to cities in Oregon. Exhibit 1 is an overview of all of the tools analyzed in this guidebook.

Communities will need to consult with their legal counsel about the legal implications for each tool in their community. This guidebook does not provide legal advice—each reader is responsible for seeking out legal or other expert opinions before deciding how relevant these materials are to their particular situation.

**Additional Resources**

Home Rule 101 (League of Oregon Cities, 2023)

Legal Guide to Oregon's Statutory Preemption of Home Rule (League of Oregon Cities, 2020, updated 2023)

Oregon Municipal Handbook, Chapter 2: Home Rule & Its Limits (League of Oregon Cities, 2020, updated 2024)

Oregon Municipal Handbook, Chapter 12: Financial Management and Taxation (League of Oregon Cities, 2024)

## Exhibit 1. Overview of Revenue Tools in the Guidebook

| Taxes on Goods and Services ("what you buy") | | | | |
|---|---|---|---|---|
| **Revenue Tool** | **Who Primarily Pays?** | **What Does It Pay For?** | **What is Taxed?** | **Top Considerations** |
| **General Sales Tax** (page 29) | Residents Visitors Businesses | **Both:** Services and capital improvements | Most goods and services (e.g., clothes, events, landscaping, repairs) | Large and stable revenue source for broad use. But little public support and concerns about disproportionate impacts on lower-income individuals. |
| **Targeted Sales Tax** (page 32) | Residents Visitors Businesses | **Both:** Services and capital improvements | Specific goods and services (e.g., prepared food, rental car) | Requires coordination with retailers, can unintentionally drive away economic activity, and useful for targeting goods or services. |
| **Fuel Tax** (page 34) | Residents Visitors Businesses | **Both:** Transportation infrastructure maintenance and investments | Gas consumption | Limited to transportation related improvements. Strong nexus between tax and benefit. Eroding tax base due to fuel-efficient and electric vehicles. |
| **Transient Lodging Tax (TLT)** (page 36) | Visitors | **Services mostly:** 70% related to tourism; 30% is discretionary | Lodging bookings based on cost of lodging | Limited tax base (lodging activities) and revenue use (promotion of tourism and tourism related facilities). Likely supported by the public. |
| **Construction Excise Tax (CET)** (page 39) | Developers | **Capital:** Affordable housing or school facilities | Value of construction permits | Clear nexus between tax and benefit, though revenues can fluctuate with development activity. |
| **Taxes on Income ("what you earn")** | | | | |
| **Revenue Tool** | **Who Primarily Pays?** | **What Does It Pay For?** | **What is Taxed?** | **Top Considerations** |
| **Personal Income Tax** (page 43) | Workers | **Both:** Services and capital improvements | Workers' wages and salaries | A substantial and versatile revenue source. Strong administrative and political challenges. |
| **Business Income Tax** (page 45) | Businesses | **Both:** Services and capital improvements | Businesses' net incomes | Can generate substantial revenue, but risks to economic activity. |
| **Payroll Tax** (page 47) | Workers and businesses | **Both:** Services and capital improvements | Workers' wages and salaries | Can generate substantial revenue for a predefined funding objective but can have adverse effects on lower-income workers. |
| **Taxes on Property ("what you own")** | | | | |
| **Revenue Tool** | **Who Primarily Pays?** | **What Does It Pay For?** | **What is Taxed?** | **Top Considerations** |
| **Local Option Levies** (page 51) | Property owners | **Both:** Services and programs mostly but can fund capital expenses. | Assessed value of property | Generates moderate to high revenues in five-year timespans. Limited duration reassures voters but can be risky for some cities. |

| | | | | |
|---|---|---|---|---|
| **Taxes on Property ("what you own")** | | | | |
| **Special Districts** (page 53) | Property owners | **Services:** Targeted or new municipal services | Assessed value of property | Can effectively fund singular or specialized service needs. Usually supported by the public. |
| **Local Improvement District (LID)** (page 55) | Property owners | **Capital:** Infrastructure improvements | Assessed value of property | Clear nexus and sufficient revenue to fund identified projects. Costs shared among participating property owners. |
| **Economic Improvement District (EID) / Enhanced Service District (ESD) / Business Improvement District (BID)** (page 57) | Business owners and/or property owners in a commercial district | **Capital (EID):** Commercial district capital improvements<br><br>**Services (ESD/ BID):** Commercial district services | Assessed value of property, or business location in a commercial district | Versatile funding solutions to shared problems. Effective and well-managed districts have the potential for long-term stability and growth. |
| **General Obligation (GO) Bonds** (page 61) | Property owners | **Capital:** Capital investments | Assessed value of property | Potential for substantial funding for capital investment. Passing a GO Bond requires careful campaigning. |
| **Tax Increment Financing (TIF)** (page 63) | Property owners | **Capital:** Improvements for economic development or housing | Increases to assessed value of property | Funds capital projects related to economic development and housing. Generates revenues without raising taxes. |
| **Fees and Charges ("what you do")** – Unlike taxes, fees are typically tied to specific uses, like building permits, utility services, or park entry fees. | | | | |
| **Revenue Tool** | **Who Primarily Pays?** | **What Does It Pay For?** | **What is Charged?** | **Top Considerations** |
| **Franchise Fees and Utility License Fees (ULFs)** (page 67) | Utility providers | **Both:** Services and capital improvements | Fees on utility service providers, who then pass on the costs to customers | Stable and broad revenue source with unrestricted uses, but there are uncertainties about future revenue growth with changing regulations. |
| **Municipal Services Fees** (page 70) | Utility customers | **Both:** Services and capital improvements | Municipal services (through utility bills) | Easy to generate revenue, but with political challenges and disproportionate impacts. |
| **Fees for Specific Services** (page 74) | Residents<br>Visitors<br>Businesses | **Services mostly:** services related to fee | Specific services (e.g., copies, permits, rentals) | Nexus between fee and benefit. Highly variable considerations city to city. |
| **Fines and Penalties** (page 76) | Residents<br>Visitors<br>Businesses | **Services mostly:** services related to the violation | Violations | Not a reliable funding source. But can promote compliance. |
| **System Development Charges (SDCs)** (page 79) | Developers | **Capital:** infrastructure improvements | New development | Recovers a portion of costs associated with new development. Revenue is development-driven, likely fluctuating over time. |

# What is Not Included?

This guidebook does not include more unique tools some jurisdictions in Oregon use (e.g., logging rights, Portland Arts Tax, bridge tolls). It also does not include tools local jurisdictions cannot use because the state does not allow it (anymore). Two examples are **real estate transfer tax** and **gross receipts tax**. Although some local jurisdictions in Oregon use these tools, the State Legislature has preempted future adoption of these tools.

- **Real estate transfer tax** is applied to the sale of real property (such as land or a building). The taxable value is based on the selling price. ORS Chapter 306.815 prohibits local jurisdictions from adopting real estate transfer taxes unless they were in effect by March 1997. Washington County is the only Oregon jurisdiction that has a real estate transfer tax.
- **Gross receipts tax** is applied to the gross sales revenue businesses generate. Unlike a sales tax that is applied to final sales to consumers, a gross receipts tax is applied to business transactions. This feature leads to “tax pyramiding” where a good or service is taxed multiple times to reach the final consumer. Unlike an income tax, a gross receipts tax generally does not allow deductions for business expenses, with some exceptions. ORS Chapter 317A.158 prohibits local jurisdictions from adopting gross receipts taxes unless they were in effect by April 2019. Portland is the only jurisdiction in Oregon to have a gross receipts tax, the Clean Energy Surcharge, which funds the Portland Clean Energy Community Benefits Fund (PCEF).

**Additional Resources**

TaxEDU: Not All Taxes Are Created Equal (Tax Foundation, 2023).

Many people have come up with ways to organize and evaluate funding tools. This primer discusses different types of taxes (income, consumption, property) and compares their impact on economic growth, fairness, and revenue stability. It explains why some taxes are more equitable or economically efficient than others. Tax Foundation is a nonpartisan, educational organization that has been critical of new tax laws in Oregon.[1]

Comprehensive Revenue Restructuring (Oregon Department of Revenue, 2009).

This 2009 report presents options for restructuring Oregon's tax system, addressing the state’s reliance on income and property taxes. It evaluates tax instruments like a gross receipts tax, a reform of property tax limitations, and potential avenues for sales tax implementation to enhance revenue stability. While the report is fifteen years old, the key principles are still true today.

[1] Mountjoy, Jack and Joseph, Biship-Henchman. “The Dam Bursts in the Beaver State: Oregon’s Wave of Tax Increases and New Spending.” Tax Foundation. July 9, 2009. Accessed October 3, 2024. https://taxfoundation.org/research/all/federal/dam-bursts-beaver-state-oregons-wave-tax-increases-and-new-spending/.

# Considerations

When exploring funding tools, it is essential to take a structured look at whether they are adequate, fair, viable, and aligned with a city's goals. A structured list of considerations can help cities compare their options. While no tool will likely perform well in every consideration, this approach can reveal each option's main pros and cons. Typically, cities should also consider legal requirements, but this guidebook skips that aspect since every tool in this guidebook is legally allowed for cities.

## Compatibility with Budgeting Needs

Every city has its unique financial landscape, but a key question for any revenue tool is: Can it consistently generate sufficient funds to meet the city's needs? This section looks at how each tool stacks up on that front.

- **Adequacy: How much revenue can it generate?** Cities will need to determine whether one or more tools can provide enough funding for the identified need.
- **Stability**: **What factors could lead to funding fluctuations from year to year or seasonally?** Cities will need to consider how susceptible revenues are to external factors such as economic cycles, environmental factors, and seasonal changes that can cause revenue volatility. Some tools, like income taxes, fluctuate with the economy, whereas property tax revenues grow steadily over time and are less affected by economic cycles.
- **Versatility: What can the funding be used for?** The tool's effectiveness can be influenced by how broadly or narrowly its revenue can be applied. Versatile tools allow cities to respond to various needs, but targeted tools might help secure consistent funding for critical priorities.
- **Capacity for Growth: Does the tool have the capacity to grow and meet future financial demands?** A revenue tool that meets current needs may become inadequate if revenue fails to keep pace with rising service costs or increasing demand.

## Fairness: Who Benefits and Who Pays?

Every city is different, but fairness in who pays and who benefits from public services is always a concern. This set of considerations looks at the equitable distribution of costs and benefits across different populations, including households, businesses, and visitors.

- **Horizontal Equity: Does the tool treat similar taxpayers consistently?** Cities should evaluate whether the revenue tool taxes or charges equal rates across households, visitors, and businesses with comparable economic situations. Horizontally equity means there is no preferential treatment. Even when the tax rates are the same, there could be unfair treatment due to spending habits that diverge from earnings, income tax deduction and credits, and property assessment methods.

- **Vertical Equity: Do those with more resources pay more than those with less?** Cities will need to assess whether the revenue tool affects those with lower incomes more than those with higher incomes. Taxes and fees that do not differentiate ability to pay are often called "regressive" among economists. For example, a flat fee for a city service or a fuel tax is regressive and disproportionately impacts lower-income individuals because they do not change their ability to pay.
- **Nexus to benefit: Is there a clear connection between the tax or the fee and the public service funded by it?** Cities may want to ensure that those who fund a service also benefit from it. This alignment strengthens the fairness of the revenue tool.

## Administrative Ease

Although each city will have different staff capacities, existing programs, and financial resources, all cities must consider how much time, money, and staff it will take to manage a new revenue tool. Partnering with other jurisdictions looking to do similar things could help spread the load.

- **Implementation: How costly and complex will it be to establish and manage the new revenue tool, and does the city need to create new systems or roles to support it?** Implementing a new revenue tool can require investments in software, staff training, and even new roles or departments. Cities should consider whether their existing systems can support the new tool or if new processes are needed. For smaller cities, these requirements can be particularly challenging. Additionally, if the tool is complex, additional time will be needed to inform staff and the public. A related consideration is jurisdictional boundaries (e.g., business improvement districts collect and spend the revenues within a business district).
- **Collection: What infrastructure and resources are needed to collect and manage the revenue efficiently, and how will external coordination affect this process?** The ability to collect revenue smoothly often hinges on the city's existing infrastructure. If current systems are not adequate, new programs or business units may need to be developed. Efficient data management is also crucial—tracking payments accurately and minimizing errors are essential to smooth operations. Setting up these systems can demand staff and financial resources along with coordination with external entities, like the State of Oregon Department of Revenue.
- **Enforcement: What will be required to monitor compliance, enforce penalties, and allocate resources effectively for the new revenue tool?** Enforcement of the revenue tool involves ongoing compliance monitoring, including resource-intensive audits and clear processes for managing penalties and resolving disputes. Cities may only be able to collect the full share of the tax or fee with a strong enforcement mechanism. Enforcement also demands dedicated staff and resources, which can be a strain, particularly for smaller cities with limited staff capacity.

## Neutrality and Political Feasibility

People respond to policy proposals and decisions in different ways. When considering the feasibility of new revenue tools, cities can try to anticipate what people might do.

- **Neutrality: Is the revenue tool likely to result in unintended changes in behavior?** Ideally, revenue tools would not lead to distorted impacts on economic activity (such as encouraging moving or reducing employment). Sometimes, behavior change may be an intended outcome to reduce costs to the public (such as penalties for speeding or excise taxes on alcohol or tobacco). For local taxes, a potential unintended consequence is people crossing to neighboring jurisdictions to avoid paying a local tax.
- **Political Feasibility: How likely is the new revenue tool to gain political support?** Cities need strategies to build coalitions, anticipate opposition, and address public concerns. Cities can start by gauging the support from elected officials, community leaders, and the public. Cities must consider the tool's potential impact on different stakeholders and develop strategies for building a strong coalition. Gaining political buy-in means addressing public concerns through transparent communication and demonstrating the tool's benefits. Other considerations include careful wording in ballots or ordinances to balance the chances of passage with the need for flexible use of funds.

## Applying the Considerations

This section provides two examples that differentiate how a city might consider funding tools for infrastructure projects—such as roads, utilities, and public buildings—and for city services—such as public safety, parks maintenance, and social programs. These examples are intended to be illustrative and are based on a narrow set of assumptions. City staff will need to apply the considerations within their political and financial context to help decision-makers understand the suitability, scalability, and long-term impacts of various funding mechanisms.

> **Adapt this guidebook to your needs**
>
> Cities are encouraged to adapt these insights based on their specific local context. While the guidebook presents general assessments, any detailed evaluation of a particular funding tool should account for the jurisdiction's unique circumstances and needs.

## Summary of Considerations

This table summarizes generalized considerations in the tools described below.

**Exhibit 2. Summary of Revenue Tools Considerations**

| | Compatibility with Budgeting Needs | | | | Fairness | | | Administrative Ease | | | Other Considerations | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Adequacy | Stability | Versatility | Capacity for Growth | Horizontal Equity | Vertical Equity | Nexus | Implement-ation | Collection | Enforcement | Neutrality | Political Feasibility |
| **Taxes on Goods and Services ("what you buy")** | | | | | | | | | | | | |
| **General Sales Tax** | ••• | •• | ••• | •• | •• | • | • | •• | ••• | ••• | • | • |
| **Targeted Sales Tax** | D | •• | D | D | •• | • | D | •• | ••• | ••• | •• | •• |
| **Fuel Tax*** | •• | •• | • | • | •• | • | ••• | ••• | ••• | ••• | •• | D |
| **TLT** | •• | • | • | D | •• | • | ••• | ••• | ••• | •• | ••• | •• |
| **CET** | •• | •• | •• | D | •• | •• | ••• | •• | ••• | ••• | • | •• |
| **Taxes on Income ("what you earn")** | | | | | | | | | | | | |
| **Personal Income Tax** | ••• | • | D | ••• | •• | •• | • | • | ••• | •• | • | • |
| **Business Income Tax** | ••• | • | D | ••• | •• | •• | •• | • | •• | •• | • | • |
| **Payroll Tax** | ••• | • | • | ••• | •• | • | D | •• | ••• | ••• | •• | •• |
| **Taxes on Property ("what you own")** | | | | | | | | | | | | |
| **Local Option Levies** | ••• | • | •• | • | •• | •• | D | •• | ••• | ••• | ••• | D |
| **Special District** | ••• | ••• | •• | • | •• | •• | D | • | ••• | ••• | ••• | D |
| **LID*** | ••• | •• | •• | • | ••• | • | ••• | •• | ••• | •• | ••• | D |
| **EID*/ESD/BID** | • | •• | ••• | •• | ••• | • | ••• | •• | ••• | •• | D | D |
| **GO Bonds*** | ••• | ••• | •• | • | •• | • | D | • | ••• | ••• | ••• | D |
| **TIF*** | ••• | D | •• | D | •• | • | ••• | • | ••• | ••• | •• | • |
| **Fees and Charges ("what you do")** | | | | | | | | | | | | |
| **Franchise Fees and ULFs** | D | ••• | ••• | •• | ••• | • | • | •• | ••• | •• | ••• | ••• |
| **Municipal Services Fees** | D | •• | ••• | ••• | D | D | D | D | ••• | ••• | ••• | D |
| **Fees for Specific Services** | D | D | • | D | ••• | • | ••• | D | D | D | D | ••• |
| **Fines and Penalties** | • | • | D | • | •• | • | ••• | •• | ••• | •• | • | D |
| **SDCs*** | D | D | •• | ••• | ••• | •• | D | •• | ••• | ••• | •• | D |

• • • = Key advantages  • • = Some limitations or exceptions
• = Considerable limitations  **D** = Depends  * = Capital Projects Only

# TAXES ON GOODS AND SERVICES

Cities can collect a tax on the sale of most goods and services. While Oregon does not have a state sales tax, local jurisdictions have the option to apply a local sales tax. A general sales tax applies to a broad array of goods and services, whereas a targeted sales tax applies to specific goods or services. Sales taxes are typically a percentage of the purchase price. Some taxes are collected at the point of sale and remitted by businesses to the government. Some local transient lodging taxes are administered by the state—Department of Revenue—and remitted to local jurisdictions. Others are collected and administered by the jurisdiction itself or through intergovernmental agreements.

Local revenue tools covered in this section are:


- General Sales Tax (page 29)
- Targeted Sales Tax (page 32)
- Fuel Tax (page 34)
- Transient Lodging Tax (page 36)
- Construction Excise Tax (page 39)


Local taxes on goods and services are generally easy to administer through existing mechanisms. But they tend to disproportionately impact lower-income individuals and can drive away economic activity to nearby jurisdictions with lower tax rates. Actual impact will depend on how much goods and service people buy.


Taxes on Income

Taxes on Property

Fees and Charges


# General Sales Tax

Cities can apply a general sales tax on various transactions within a specific jurisdiction. These taxes can go into the general fund to help fund essential public services like infrastructure and public safety, especially in areas with significant retail or tourism. Despite sales taxes being commonplace in the rest of the United States, no Oregon municipality has implemented a general sales tax due to major voter opposition.

**Rationale**: A local sales tax helps diversify a city's revenue sources, adding financial stability beyond reliance on property taxes and fees. For cities that experience significant costs from visitors using city infrastructure, a sales tax allows the city to capture revenue from these users.

**Who pays:** Residents, visitors, and businesses

**Statutory reference:** ORS Chapter 305.620. Also, Oregon's home rule grants local governments limited authority to implement taxes to meet their specific fiscal needs.

## Examples

**City of Ontario** became the first city in the state to attempt to create a general retail sales tax in 2017, passing an ordinance to create a 1 percent levy aimed at generating $3.7 million annually. The revenue was intended to fund city services like law enforcement, street repairs, and parks. Ontario's unique position on the Idaho-Oregon border, where shoppers cross to avoid Idaho's 6 percent sales tax, was a major factor in its decision.[2] However, some residents opposed the tax, leading to efforts to overturn it via referendum in May 2018.[3]

**City of Vancouver, Washington,** has a combined use and sales tax rate of 8.7 percent as of late 2024. In 2023, 12.6 percent (or $65 million) of the total sales tax revenue went to the City of Vancouver.[4] The City leverages local sales tax revenues for public safety, infrastructure projects, and general city services. Compared to similarly sized cities in Washington, the City loses substantial sales tax revenues due to its proximity to Portland, which has no sales tax. A 2014 Cross Border Study by the State of Washington indicates that Washington's border counties would lose $193 million in state and $54 million in local sales tax revenues to evasion.[5]

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[2] Peacher, Amanda. 2017. "Ontario Becomes Oregon's Only City To Approve A Sales Tax." *Oregon Public Broadcasting,* September 27, 2017. Accessed November 14, 2024. https://www.opb.org/news/article/ontario-oregon-sales-tax/.

[3] Terhune, Katie. 2018. "Ontario Voters Reject 1 Percent Sales Tax Proposal." *KTVB*, May 16, 2018. https://www.ktvb.com/article/news/politics/elections/ontario-voters-reject-1-percent-sales-tax-proposal/277-552809630

[4] City of Vancouver. 2023. "Your Retail Sales Tax." *City of Vancouver 2023 Annual Report*. Accessed November 14, 2024. https://www.cityofvancouver.us/2023-annual-report/your-retail-sales-tax/

[5] Washington State Department of Revenue. 2014. *Cross Border Study*. Accessed November 14, 2024. https://dor.wa.gov/sites/default/files/2022-02/Cross_Border_Study_2014.pdf

## Considerations

**Summary of Top Considerations:** Although a general sales tax could be an adequate technical solution to budget needs, it is difficult to gather public support. Read about identifying champions and developing communication plans in *Part 1. Getting to a Yes: Developing a Revenue Strategy* section above.

- **Broad applicability:** A general sales tax would apply to many goods and services, creating a large and stable source of revenue for cities. Because the revenues would go into the general fund, cities can control how funds are spent.
- **Political messaging:** Because a general sales tax does not exist in Oregon, cities will need to carefully tailor their message to define the budget needs or pressures and what these dollars will fund, such as local infrastructure or public services. Capturing revenue from non-residents can be a key theme in the communication about the potential benefits of the tax. In cities with heavy tourist or cross-border traffic, local sales taxes ensure that visitors contribute to maintaining city services.
- **Vertical Equity:** Many economists consider sales taxes regressive because they are more burdensome to those with lower incomes. (Regressive taxes are those that disproportionately affect lower-income individuals.) This can be mitigated with structural choices about the goods and/or services that are taxed. For example, exclusions for groceries or medication are common for sales taxes.

### Exhibit 3. Considerations for General Sales Tax

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate significant revenue, especially in areas with high retail activity or tourist traffic. |
| **Stability** | • • | Less stable than property taxes and may fluctuate with consumer spending levels and business cycles. |
| **Versatility** | • • • | Usually no restrictions on use of funds. Can direct revenues to the general fund or to specific budgetary accounts. |
| **Capacity for Growth** | • • | Can grow with increasing retail activity or tourism, keeping pace with cost of service. However, growth is limited during economic downturns, during times of high inflation, or if consumers shift to lower-tax areas. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Applied uniformly to buyers of the targeted goods or services but will impact more frequent buyers of taxed goods or services. |
| **Vertical Equity** | • | Sales taxes are regressive, disproportionately impacting lower-income households who spend a larger share of their income on essentials. To balance vertical equity, cities can consider exemptions for basic necessities (such as groceries or medicine). |
| **Nexus** | • | Broad-based taxes that support the general fund do not have a clear nexus, and nexus is not required. Still, some nexus exists when the tax is paid by tourists or visitors who use the public infrastructure. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires coordination with retailers to set up. National and regional retailers already have experience collecting sales tax at point of sale. A new sales tax will require behavior change from small businesses to manage collection. |
| **Collection** | • • • | Once in place, the collection process is handled by retailers, who include the tax in the price of goods and remit it to the municipality. |
| **Enforcement** | • • • | Other communities outside Oregon with broad sales taxes do not report major issues. |
| **Other Considerations** | | |
| **Neutrality** | • | Local sales taxes may reduce consumer spending or drive purchases to neighboring areas with lower or no sales tax. Lower tax rates will have less impact. |
| **Political Feasibility** | • | Local sales taxes face resistance in Oregon, partly because no city currently has one. Any city evaluating this tool should consider a ballot measure rather than implementation by ordinance. |

**Legend**

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# Targeted Sales Tax

A targeted sales tax, or an excise tax, applies to specific goods or services within a jurisdiction. It can generate revenue for local services like public safety, infrastructure, parks, and community programs. Examples in Oregon are:

- Goods like gasoline, alcohol, and tobacco
- Activities like lodging (hotel/motel taxes) (see page 36 for Transient Lodging Tax)
- Car rentals
- Admissions to events (e.g., theater, concert)

**Rationale:** Cities across Oregon use targeted sales taxes on specific goods or services to fund transportation projects or local services. These taxes often focus on items that capture significant contributions from tourists and non-residents, helping shift part of the tax burden away from local residents.

**Who pays:** Residents, visitors, and businesses

**Statutory reference:** ORS Chapters 305 to 324

## Examples

**City of Ashland** has a five percent tax on all prepared food items and beverages.[6] This tax includes food sold by restaurants, food trucks, and other establishments. Revenues from the tax are used to support the acquisition and maintenance of parklands and to fund wastewater treatment facilities.[7]

**City of Cannon Beach** passed a five percent Prepared Food Sales Tax in November 2021.[8] Businesses selling prepared food collect the tax on behalf of the City and remit it to the City every quarter. The businesses may retain 5 percent of taxes collected to mitigate collection costs.[9]

**City of Redmond** approved a five-year, 12.5-percent tax on rental cars In January 2024. The city plans to use revenues for transportation infrastructure.[10]

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[6] City of Ashland. n.d. "Business Registration & Transient Lodging Tax." Accessed October 3, 2024. https://www.ashlandoregon.gov/244/Business-Registration-Transient-Lodging-

[7] Silver, Dean. 2022. "The Evolution of the Food and Beverage Tax." *The Ashland Chronicle*. July 04, 2022. Accessed November 4, 2024. https://theashlandchronicle.com/the-evolution-of-the-food-and-beverage-tax/

[8] City of Cannon Beach. n.d. "Prepared Food Sales Tax." Accessed October 3, 2024. https://www.ci.cannon-beach.or.us/finance/page/prepared-food-sales-tax

[9] City of Cannon Beach. n.d. *A Business Guide to the Cannon Beach Prepared Food Sales Tax*. Accessed October 3, 2024. https://www.ci.cannon-beach.or.us/media/17036

[10] City of Redmond. n.d. "Rental Car Tax." Accessed November 14, 2024. https://www.redmondoregon.gov/government/departments/finance/rental-car-tax

## Considerations

**Summary of Top Considerations:** Targeted sales taxes are common in Oregon. Compatibility with budgeting needs largely depends on the good or service in question. A targeted sales tax requires coordination with retailers but can be relatively easy to administer. It may reduce consumption of the targeted good or service, whether intended or not. Like general sales tax, they disproportionately impact lower-income individuals.

**Exhibit 4. Considerations for Targeted Sales Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | **D** | Depends on the good or activity. More targeted taxes generate less revenue. Food and beverage taxes can generate more revenue. |
| **Stability** | • • | Less stable than property taxes and may fluctuate with consumer spending levels and changes to inflation. Seasonality in areas with more tourism spending such as rental cars and prepared food. |
| **Versatility** | **D** | Usually no restrictions on the use of funds. But if a city chooses a budgetary account to fund, it will be difficult to fund other uses later. |
| **Capacity for Growth** | **D** | Can grow with economic activity, keeping pace with cost of services. But potential for growth depends on the specific goods or services. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Applied uniformly to buyers of the targeted goods or services but will impact more frequent buyers of taxed goods or services. |
| **Vertical Equity** | • | Generally regressive, disproportionately impacting lower-income households who spend a larger share of their income on essentials subject to tax. But can depend on the taxed goods or services. |
| **Nexus** | **D** | Depends on use. For example, a motor vehicle rental tax that funds road infrastructure projects would have a clear nexus. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires coordination with retailers to set up. National and regional retailers already have experience collecting sales tax at point of sale. A new sales tax will require behavior change from small businesses. |
| **Collection** | • • • | Once in place, the collection process is handled by retailers, who include the tax in the price of goods and remit it to the municipality. |
| **Enforcement** | • • • | Other communities outside Oregon with broad sales taxes do not report major issues. |
| **Other Considerations** | | |
| **Neutrality** | • • | Targeted taxes can reduce consumption of the targeted goods or services. This is sometimes an intended effect (e.g., tobacco). If the tax is too high, it may drive consumers to neighboring jurisdictions that do not have a similar tax. |
| **Political Feasibility** | • • | Several jurisdictions have implemented targeted sales taxes. There are precedents for the political feasibility of a targeted local sales tax. Voter approval is required for some taxes. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# Fuel Tax

A fuel tax is a targeted sales tax charged on gasoline sales in a jurisdiction. Revenues fund the construction, repair, operation, and maintenance of local roads and streets.

**Rationale:** A fuel tax can help diversify funding sources beyond property taxes and state allocations. It creates a dedicated stream of revenue for road maintenance and new transportation investments. It can discourage using gas-powered vehicles and encourage using fuel-efficient vehicles, public transportation, and other transportation modes.

**Who pays:** Residents, visitors, and businesses that use fuel

**Statutory reference:** ORS Chapters 319.010 to 319.430

**Additional resources:**

- Model Motor Vehicle Fuel Tax Ordinance (League of Oregon Cities, 2020).
- Fuels Tax Taxable Distribution Reports (Oregon Department of Transportation).

## Examples

According to the Oregon Department of Transportation, 31 local jurisdictions collect local fuel taxes as of 2024.[11]

**City of Eugene** implemented a local fuel tax in 2003 (five cents per gallon as of 2024). The City dedicates revenues from this local gas tax to build, repair, maintain, operate, and preserve city-owned roads and streets. The gas tax ordinance stipulates that no revenue shall be used for capacity-enhancing street improvements.[12]

**City of Newport** had funded local road infrastructure with a local fuel tax that varies seasonally. Since 2009, the fuel tax had been three cents in the summer months and one cent in the rest of the year. In 2021, the City proposed to increase their gas tax to five cents year-round. The ballot measure was defeated along with a prepared food tax.[13] In May 2024, the City passed an ordinance to increase the fuel tax to five cents per gallon, effective October 1st, 2024.[14]

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[11] Oregon Department of Transportation. n.d. "Current Fuel Tax Rates." Accessed October 15, 2024. https://www.oregon.gov/odot/ftg/pages/current%20fuel%20tax%20rates.aspx
[12] City of Eugene. n.d. "Local Gas Tax." Accessed October 15, 2024. www.eugene-or.gov/1085/Local-Gas-Tax
[13] Card, Steve. 2024. "Newport Proposing Gas Tax Increase." *Newport News Times*, February 29, 2024. Accessed October 5, 2024. https://www.newportnewstimes.com/news/article_636e95cc-d14b-11ee-b266-ef8765f6eb2e.html
[14] Oregon Department of Transportation. n.d. "Fuels Tax." Accessed October 5, 2024. www.oregon.gov/odot/ftg/

## Considerations

**Summary of Top Considerations:** Fuel taxes exist at local, state, and federal levels. They have been a reliable source of revenue for funding some transportation-related projects. However, fuel-efficiency improvements are reducing their reliability. Without a statewide solution like a vehicle miles traveled tax, cities may need to raise fuel tax rates. Also, there may be public opposition if it is perceived as a tax on lower-income, car-dependent households without alternative means of transportation. Cities also need to consider fuel prices and taxes in neighboring jurisdictions where drivers could purchase fuel instead.

**Exhibit 5. Considerations for Fuel Tax**

| Compatibility with Budgeting Needs | | |
|---|---|---|
| **Adequacy** | • • | Known for providing consistent funding, but fuel efficiency improvements are reducing total fuel consumption and revenue. Cities may need to change tax rates or adopt a new tax in the future. |
| **Stability** | • • | Stable in the near-term but can decline over time due inflation and shifts toward alternative fuels and electric vehicles (EVs). |
| **Versatility** | • | Restricted to transportation-related purposes. |
| **Capacity for Growth** | • | Fuel consumption is falling due to vehicle fuel efficiency improvements and EV technology. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Individuals pay in proportion to the amounts of fuel they buy. But it does not account for different driving needs or vehicle fuel efficiencies among similar income groups. |
| **Vertical Equity** | • | Disproportionately impacts lower-income individuals who spend a higher share of their income on fuel. |
| **Nexus** | • • • | State laws require that fuel tax revenues be spent on roadway improvements resulting in a strong nexus. |
| **Administrative Ease** | | |
| **Implementation** | • • • | Relatively simple, leveraging existing tax collection systems. Requires setting the tax rate and coordinating with fuel distributors/retailers. |
| **Collection** | • • • | Collected at the point of sale by fuel retailers. |
| **Enforcement** | • • • | Enforcement is relatively easy, as compliance is monitored directly through fuel sales records. |
| **Other Considerations** | | |
| **Neutrality** | • • | Might have a modest impact on fuel consumption. But local governments need to consider fuel prices and availability in neighboring jurisdictions without a similar fuel tax. It could result in unintended consequences. |
| **Political Feasibility** | **D** | Many jurisdictions have successfully implemented fuel taxes, suggesting it can be political feasible in some places. There are looming issues related to fuel economy, climate change, and disproportionate impacts on lower-income drivers. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

## Transient Lodging Tax

Cities and counties may impose taxes on hotels, motels, campgrounds, short-term rentals, and other temporary lodgings. Transient Lodging Tax (TLT) has become more prominent with the growth of hosting and home-sharing platforms. Any TLT set by local governments is in addition to Oregon's statewide TLT of 1.5 percent.

House Bill 2267 (2003) limited local control over TLTs by requiring cities and counties to allocate at least 70 percent of new or increased TLT revenue to “tourism promotion” or “tourism-related facilities.”[15] The remaining 30 percent can be used more flexibly, including for general city services or infrastructure that may not be directly tied to tourism. This could support public safety (e.g., policing or emergency services for tourist-heavy areas), transportation improvements, or maintaining parks and roads. Cities with pre-existing TLTs prior to 2003 can maintain their prior distribution ratios but cannot reduce the portion spent on tourism promotion below the 2003 levels. New TLTs in these cities would be subject to the 70/30 split.

Many communities with large numbers of tourists have expressed the need for more flexible funding allocations, given the strain that tourism places on their local infrastructure. Past TLT revenues funded tourism promotion to help establish some communities as tourist destinations. These communities now need the revenues to sufficiently fund the infrastructure that tourists rely on.

**Rationale:** A TLT can leverage tourism activity by generating revenue from non-residents who use local services and infrastructure. Since tourists and visitors place additional demand on public services, TLT allows jurisdictions to recover costs associated with tourism-related expenses.

**Who pays**: Tourists and local customers of overnight lodging facilities

**Statutory reference:** ORS Chapters 320.300 to 320.365

**Additional resources:**

- Legal Guide to Collecting Lodging Taxes in Oregon (League of Oregon Cities, 2021). This guidebook provides city leaders with an overview of state regulations on local TLTs, covering how the tax is collected, how cities can use the revenue, and the effects of changes to the tax rate. It addresses challenges like short-term rental platforms and includes resources such as model ordinances, agreements, and tax forms to assist with implementation and amendments.

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[15] ORS 320.300 outlines definitions for tourism promotion and tourism-related facilities as “a conference center, convention center or visitor information center; and other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities.”

## Examples

**City of Newport** imposes a 12 percent transient room tax on lodging rented for less than 30 days duration. The tax is used for general government purposes (54 percent) and for tourism promotion and facilities purposes (46 percent) as stated in the City of Newport Municipal Code (NMC), Chapter 3.05.[16] TLT in the City of Newport is not subject to the 70/30 split in how revenues can be used because it was in place before relevant statutes were adopted.

**City of Manzanita** is another Oregon community with a TLT established before the state passed ORS 320.345 and 320.350 in 2003, which restricts how TLT revenues can be used. Because the City implemented its original 7 percent tax before these regulations, it can continue using all of the revenue from that portion of the tax at its discretion. However, Manzanita raised its TLT rate to 9 percent after July 2, 2003, when the new restrictions took effect. Under these restrictions, 70 percent of the additional TLT revenue must be allocated to tourism promotion and tourism-related facilities, while 30 percent remains available for general use.[17] Even in cities like Newport and Manzanita where a portion of TLT revenue is unrestricted, new TLT revenue is restricted. It falls short of covering the costs of key services for overnight visitors, such as parking, road maintenance, and emergency services.

> In total, 84 cities and 15 counties in Oregon have a local TLT, with many of the tax rates between 8 percent and 11 percent.[18, 19] Some are administered by the state, but many are locally administered. For nearly all jurisdictions, TLT is an insufficient funding tool because at least 70 percent of the revenue must be allocated to tourism promotion and tourism-related facilities, rather than general use.

## Considerations

**Summary of Top Considerations:** Many jurisdictions have local TLTs, which makes it relatively easy to establish a new TLT or increase the rate. Residents quickly understand the messaging: charging visitors to pay for infrastructure and services they use. However, local residents would still pay it too, and businesses that depend on tourism activities will be cautious about taxes on tourists. The main challenge with TLT is its inadequacy to meet budget needs beyond funding tourism promotion activities. The tax base is limited to lodging activities, and cities are restricted in how they can use the revenue.

> Focus groups and surveys showed that Oregonians are generally supportive of changes to how the revenue is used (70 percent supporting vs. 20 percent opposing).

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[16] City of Newport. n.d. “Room Tax.” Accessed November 14, 2024. https://www.newportoregon.gov/dept/fin/roomtax.asp
[17] City of Manzanita. 2023. *Manzanita Funding Diversification Study*. June 2023. https://ci.manzanita.or.us/wp-content/uploads/2023/08/FINAL-Manzanita_Funding_Diversification_Study_061323.pdf
[18] Oregon Legislative Revenue Office. *2024 Oregon Public Finance: Basic Facts*. Research Report #1-24.
[19] Oregon Department of Revenue. n.d. “Transient Lodging Tax.” Accessed November 14, 2024. https://www.oregon.gov/dor/programs/businesses/pages/lodging.aspx?wp6937

**Exhibit 6. Considerations for Transient Lodging Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • | Inadequate because only 30% of the funding is available for core infrastructure needs that many cities struggle to fund. |
| **Stability** | • | Can be volatile and is not a guaranteed source of income. Declines in tourism or natural disasters can lead to revenue decreases. |
| **Versatility** | • | Oregon law limits the use (70% for tourism promotion and facilities, 30% for general government use). |
| **Capacity for Growth** | **D** | Growth is tied to market fluctuations and household ability to travel. Some communities have restricted the number of vacation rentals which would otherwise help generate additional TLT revenues. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Applies uniformly to all visitors using lodging services but lodging and tourism-related spending patterns are different among visitors. |
| **Vertical Equity** | • | Does not vary based on the income of lodging users. However, visitors in some destinations may have greater disposable income. |
| **Nexus** | • • • | Strong link, as ORS requires at least 70% of funds to be spent on tourism-related services. This ensures that visitors who pay the tax benefit from the funded improvements. In areas with broader discretionary use of the funds, most communities are using it to support infrastructure which tourists also use. |
| **Administrative Ease** | | |
| **Implementation** | • • • | Local governments set their tax rates by ordinance. Alternatively, some cities have an agreement for the county impose the tax and share a portion of the collected revenue with cities. |
| **Collection** | • • • | Collected by hotels, motels, and other lodging providers at the point of sale and remitted to the city. New collection laws and agreements will be needed as new technology platforms emerge. |
| **Enforcement** | • • | Collection and remittance from home-sharing platforms has been inconsistent. Some cities, like Portland, have regulations and partnerships with platforms like Airbnb to ensure compliance. |
| **Other Considerations** | | |
| **Neutrality** | • • • | Has minimal impact on tourism unless the rate is excessively high, at which point it could marginally reduce tourism spending. Rate setting considerations should focus on raising revenue without significantly reducing tourism activity. |
| **Political Feasibility** | • • • | Most cities have broad political support for more broad use of TLT revenues, especially for infrastructure and services impacted by tourism. Still, there can be some opposition from the tourism industry and local businesses that rely on tourism activity. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

## Construction Excise Tax

In 2016, SB 1533 allowed Oregon jurisdictions to start imposing a construction excise tax (CET) on construction permits issued within their jurisdiction. Cities and counties tend to raise funds for affordable housing projects with CETs, while school district CETs raise money for school capital improvements. Cities can assess CET on residential, commercial, and/or industrial development. Cities and counties need to coordinate—with an intergovernmental agreement, for example—when taxing the same property. However, school districts can impose CETs without coordinating with a city or a county. The tax is based on the value of the construction permit, which is based on the project plan submitted to the permitting department and reflects the estimated cost of the construction, including labor, materials, and other associated expenses.

- **Residential construction:** Cities and counties can adopt a combined maximum CET of one percent of the permit value on residential construction. Cities may retain four percent of funds to cover administrative costs. The remaining funds from a residential CET must be allocated as follows:
    - 50 percent must be used for developer incentives (e.g., fee and SDC waivers, tax abatements, etc.).
    - 35 percent may be used flexibly for affordable housing programs, including planning activities.
    - 15 percent funds homeownership programs in Oregon Housing and Community Services (OHCS).
- **Commercial or industrial uses:** The rate is uncapped. Fifty percent of the funds must be used for allowed developer incentives and the remaining 50 percent is unrestricted.

**Rationale:** Because development increases demand on public services and infrastructure, CETs shift the added costs to developers and future residents and businesses, as opposed to existing taxpayers. Cities experiencing and anticipating challenges with housing affordability can use the tax to create an affordable housing fund.

**Who pays:** Developers

**Statutory reference:** ORS Chapters 320.170 to 320.195

**Additional resources**:

- Construction Excise Tax Policy (Oregon Housing and Community Services, 2021)
- The Housing Alliance maintains a spreadsheet to track local CETs for affordable housing.
- Indexing of School Construction Excise Taxes (Oregon Department of Revenue, 2022)

## Examples

Communities all across Oregon have adopted CETs to strategically mitigate the impact of new development on services, infrastructure, local budgets, and affordability.

**City of Cannon Beach** adopted a CET in 2017.[20] The CET is assessed at 1 percent of the construction permit value on both residential and commercial developments and is overseen by the City Manager. The tax was expected to generate approximately $96,000 per year, with 50 percent funding affordable housing incentives and 35 percent funding affordable housing programs.

**City of Eugene** established a CET in 2019.[21] The revenues are deposited in an Affordable Housing Trust Fund (AHTF), and its deployment is strategically guided by their Affordable Housing Trust Fund Advisory Committee. The revenues fund housing for households earning 100 percent of the median family income and below. After remitting 15 percent for OHCS homeownership programs and 4 percent for City administration costs, the CET generated $3.3 million for the AHTF during the first four years of operation.[22]

**City of Portland** adopted a CET in 2016[23] to fund affordable housing serving people earning 60 percent of the median family income or below and inclusionary zoning developer incentives. The CET is assessed at 1 percent of the construction permit value on both residential and commercial developments and is overseen by the Portland Housing Bureau. The tax was expected to generate $8.1 million annually.

[20] City of Cannon Beach. 2017. “17-07: Amending Cannon Beach Municipal Code Title 3, Revenue and Finance, by Adding Chapter 3.20, Construction Excise Tax.” Accessed November 14, 2024. https://www.ci.cannon-beach.or.us/ordinance/17-07-amending-cannon-beach-municipal-code-title-3-revenue-and-finance-adding-chapter-320

[21] City of Eugene. n.d. “Affordable Housing Trust Fund.” Accessed October 2024. https://www.eugene-or.gov/4232/Affordable-Housing-Trust-Fund

[22] City of Eugene. n.d. Affordable Housing Trust Fund (AHTF). Two Year Program Review: FY22 & FY23. Accessed December 13, 2024. https://www.eugene-or.gov/DocumentCenter/View/71813/FY22-23-AHTF-Program-Review

[23] City of Portland. 2016. “Chapter 6.8 Construction Excise Tax.” Accessed October 2024. https://www.portland.gov/code/6/08

## Considerations

**Summary of Top Considerations:** CETs require a clear nexus between new construction and public infrastructure. The raised revenue will fluctuate over time with economic cycles and depend on changes to land use policy and decisions.

**Exhibit 7. Considerations for Construction Excise Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • | Can generate dedicated funding for affordable housing or schools. Can be a funding source to backfill foregone revenue from property tax abatements or fee waivers. |
| **Stability** | • | Fluctuates with development cycles. When new development activity slows, little revenue is collected. |
| **Versatility** | • • | Limited to uses in the statute. However, cities have some flexibility in defining affordable housing programs to best meet local needs. |
| **Capacity for Growth** | **D** | Depends on housing market activity, which is in turn dependent on factors like development activity, land availability, economic conditions, and local land use policies. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Does not apply to all development types; targeted to market-rate housing and commercial development, while many institutional, religious, and affordable housing projects are exempt. However, taxable developments pay the same tax rate. |
| **Vertical Equity** | • • | May disproportionately impact smaller developers; larger developers can spread out the costs across larger projects. But cities have used exemptions for developments under a set size to mitigate this. |
| **Nexus** | • • • | Revenues are used to address the increased demand for housing (and school services) related to new developments. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires local administrative staff that work with the construction permitting process. New personnel might not be needed, though it could depend on the size of the city staff. |
| **Collection** | • • • | Once adopted, the tax is usually applied during the construction permitting process. Collection is straightforward because the tax is applied and paid when permits are issued. |
| **Enforcement** | • • • | Tied to permitting process, so failure to pay will stall permit approval, making compliance necessary for new developments. |
| **Other Considerations** | | |
| **Neutrality** | • | Can increases development costs, which can slow construction activity or raise housing prices. |
| **Political Feasibility** | • • | Taxes on new developments are generally supported by the broader public. But there would be opposition from developers. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# TAXES ON INCOME

Cities can charge a tax based on the net incomes of individuals and businesses. Local income taxes, if they exist, are usually a small share of income taxes compared to state and federal income taxes. Income taxes are paid quarterly or withheld with each paycheck. Annual tax filing requirements ensure proper calculation of tax liabilities and refunds.

Local revenue tools covered in this section are:

- Personal Income Tax (page 43)
- Business Income Tax (page 45)
- Payroll Tax (page 47)

Local income taxes are rare in Oregon. They can make some households leave for another place in the same region without a local income tax. Administrative and political challenges are likely.

Goods and Services
Taxes on Property
Fees and Charges

# Personal Income Tax

Cities, as well as other local governments, can charge a personal income tax on residents' income, including wages, salaries, and other forms of earnings. It is typically structured as a percentage of income and collected in addition to state and federal income taxes. It can have a progressive tax structure, taxing higher income brackets at higher rates.

**Rationale:** Implementing a local personal income tax provides cities, counties, and regional governments with a reliable source of revenue to fund essential services such as public safety, infrastructure, and education, especially in areas with limited property tax revenues.

**Who pays:** Workers

**Statutory reference:** ORS Chapters 305.620 and 316. For mass transit and transportation districts, ORS Chapters 267.300 and 267.370.

## Examples

**Portland Metro Area:** Local governments in the Portland region started using local income taxes in 2021. The Metro Supportive Housing Services tax is a 1 percent tax on incomes earned in Metro and funds supportive housing services for people experiencing homelessness. The Multnomah County Preschool for All tax is a countywide 1.5 percent tax and funds programs for early childhood education. They both target high earners and were approved by voters in 2020.[24]

## Considerations

**Summary of Top Considerations:** A personal income tax can be a significant new source of revenue for cities because of the sizable personal income tax base. Income taxes are generally progressive with higher income households bearing a larger share of the tax burden. Implementation can be challenging, both administratively and politically.

[24] City of Portland. n.d. “Personal Income Tax Withholding Information for Employers/Payroll Providers.” Accessed October 3, 2024. https://www.portland.gov/revenue/withholding#toc-overview-shs-and-pfa-personal-income-tax

**Exhibit 8. Considerations for Personal Income Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate substantial revenues, especially in areas with a large or high-earning population. Can be tailored to meet specific revenue needs by adjusting rates or income brackets. |
| **Stability** | • | Can fluctuate with economic conditions. In a downturn, revenues decrease as unemployment rises and wages fall. Moreover, capital gains component of income can fluctuate with economic conditions. |
| **Versatility** | D | Theoretically can support the general fund. But experience in Oregon suggest the revenue could be designated to specific purposes. |
| **Capacity for Growth** | • • • | Will grow over time as the local economy expands. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Structured so that individuals with similar incomes are taxed at the same rate. However, various deductions, tax credits, and treatment of different types of income can lead to different tax burdens for individuals in the same income bracket. |
| **Vertical Equity** | • • | Progressive income taxes result in higher tax rates for those with greater ability to pay. However, the actual tax burden will depend on deductions and tax credits. Higher-income individuals tend to have greater access to investment vehicles and preferential tax treatments that reduce their tax burden. Additional sensitivity may be necessary for middle-income earners in high-cost areas. |
| **Nexus** | • | Tax is based on one's residence, not place of employment. Moreover, many types of programs funded with income tax revenue are not related to the source of the income. |
| **Administrative Ease** | | |
| **Implementation** | • | Requires careful coordination with state tax authorities to ensure compliance and avoid conflicts with other tax obligations. Initial setup process can be time-consuming, particularly for smaller cities. |
| **Collection** | • • • | When integrated with state tax systems, collection is streamlined, reducing administrative burdens. |
| **Enforcement** | • • | Effective enforcement may require additional resources for auditing and addressing tax evasion. Coordination with state agencies can mitigate some enforcement challenges. |
| **Other Considerations** | | |
| **Neutrality** | • | Can influence individual decisions about where to live or work, potentially reducing workforce mobility in areas with higher rates. |
| **Political Feasibility** | • | Can be politically challenging, especially if the tax is perceived as a financial burden. Framing it as a tool for funding essential services can enhance acceptance, but there may be resistance, particularly from residents impacted by the tax or businesses concerned about competitiveness. |

• • • = Key advantages

• = Considerable limitations

• • = Some limitations or exceptions

**D** = Depends

# Business Income Tax

A business income tax is levied on the net income of businesses operating within a specific jurisdiction. Net income is the profit that remains after removing costs and expenses from the gross revenue. This tax applies to various business entities, including corporations, partnerships, and sole proprietorships.

**Rationale:** Business income taxes can provide a sizable revenue stream for local governments, helping to fund essential public services such as infrastructure, public safety, and economic development initiatives. The tax can be adjusted to reflect the financial capacity of businesses, promoting fairness and sustainability in revenue collection.

**Who pays:** Businesses

**Statutory reference:** ORS Chapters 305.620, 317, 317A, and 318.

**Additional resources:**

- Who Bears the Burden of the Corporate Income Tax? (Tax Policy Center). This briefing explains how the burden of corporate income taxes is distributed among shareholders, workers, and consumers. It emphasizes the indirect effects of corporate taxes, such as lower wages or higher consumer prices, particularly in capital-intensive industries.

## Examples

**City of Portland**: The City imposes a 2.6 percent business license tax on net income, which the city uses as revenue for the General Fund (police, fire, some parks programs, and general government functions).[25]

**Multnomah County:** The County imposes a 2 percent business income tax which goes to the County General Fund to finance libraries, law enforcement, community corrections, jails, juvenile justice, bridges, social services, and health services.[26]

**Metro**: In 2020, voters approved a 1 percent tax on businesses that do business within the region with gross receipts over $5 million within Metro's jurisdiction. The Supportive Housing Services Business Income Tax funds housing assistance and services aimed at ending homelessness in the region.[27]

[25] City of Portland. n.d. "Business Tax Filing and Payment Information." Accessed October 3, 2024. https://www.portland.gov/revenue/business-tax#toc-overview-of-the-business-taxes
[26] ibid.
[27] ibid.

## Considerations

**Summary of Top Considerations:** Although business income taxes can generate significant revenue for cities, studies have shown that high business income taxes depress economic activity, especially if tax policy differs among cities within a metropolitan region. Recognizing that an income tax would disproportionately affect smaller businesses, most jurisdictions include exemptions and other conditions that attempt to make the income tax fairer. Implementation is likely to be a challenge, both administratively and politically.

**Exhibit 9. Considerations for Business Income Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate significant revenue, particularly in areas with a strong commercial base. May need periodic adjustments to remain effective. |
| **Stability** | • | Can fluctuate with economic conditions. In a downturn, revenues decrease as unemployment rises and wages fall. |
| **Versatility** | **D** | Theoretically can support the general fund. But experience in Oregon suggest the revenue could be designated to specific purposes. |
| **Capacity for Growth** | • • • | Will grow over time as the local economy expands. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Structured to tax businesses with similar incomes and in the same industry at the same rate. However, businesses with similar revenues but in different industries could face different tax burdens depending on their business models. |
| **Vertical Equity** | • • | While a progressive rate structure is rare, minimum income thresholds are common. |
| **Nexus** | • • | Revenues partially fund public infrastructure that are shared by many businesses. However, the benefits that businesses perceive or receive will not always match the taxes they pay. |
| **Administrative Ease** | | |
| **Implementation** | • | Requires careful coordination with state tax authorities to ensure compliance and avoid conflicts with other tax obligations. Initial setup process can be time-consuming, particularly for smaller cities. |
| **Collection** | • • | Streamlined when integrated with state tax systems, reducing administrative burdens. However, the complexity of business operations across borders can complicate the collection process. |
| **Enforcement** | • • | Can be challenging, particularly for businesses with complex financial structures. May require additional resources for auditing, monitoring, and addressing tax evasion and tax avoidance. |
| **Other Considerations** | | |
| **Neutrality** | • | May discourage investment or encourage businesses to relocate. |
| **Political Feasibility** | • | Can face political challenges, particularly from business communities concerned about the impact on profitability and competitiveness. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# Payroll Tax

A payroll tax is levied on employers or employees based on the wages and salaries paid to workers. Unlike income taxes, payroll taxes are withheld by employers from employees' paychecks and remitted to the government. Local payroll taxes fund various local services like public transportation. In some cases, employers also pay a portion of the tax.

**Rationale:** Payroll taxes provide stable revenue by spreading contributions across employers and employees, with less volatility than other taxes. They also support essential services like transportation and public safety.

**Who pays:** Workers and businesses

**Statutory reference:** ORS Chapters 305.620 and 320.550. For mass transit and transportation districts, ORS Chapters 267.300 and 267.385.

## Examples

**Eugene Community Safety Payroll Tax:** In 2019, voters in Eugene approved this tax to fund public safety initiatives. Effective January 1, 2021, the tax applies to businesses and employees within city limits. Businesses pay 0.21 percent of their total payroll, while employees contribute 0.44 percent of their wages. The tax addresses increasing demands on public safety services, including police, fire, and emergency response. [28]

**Lane Transit District (LTD) Payroll Tax:** The Lane Transit District in the Eugene-Springfield area imposes a payroll tax on employers to fund local public transportation. The tax rate is 0.8 percent for calendar year 2025.[29]

**Salem Payroll Tax:** In 2023, voters in Salem rejected a payroll tax, which would have funded police, fire, and homeless services. The proposed tax rate was 0.814 percent on all wages above the minimum wage.[30]

**TriMet Payroll Tax:** This tax is levied by the Tri-County Metropolitan Transportation District (TriMet) in the Portland metropolitan area. Starting July 1, 2018, employers within the TriMet district were required to retain 0.1 percent of employee wages. Effective January 1, 2024, the tax rate is 0.8137 percent. The tax funds public transportation services.[31]

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[28] Eugene Area Chamber of Commerce. n.d. “Community Safety Payroll Tax.” Accessed October 3, 2024. https://www.eugenechamber.com/uploads/7/2/3/0/72309947/ecj_business-onesheet-print.pdf
[29] Lane Transit District. n.d. “Payroll & Self-Employment Tax Information.” Accessed October 3, 2024. https://www.ltd.org/payroll-self-employment-tax-information/
[30] McDonald, Abbey. “82% of Salem voters reject city payroll tax.” November 7, 2023. Accessed December 13, 2024. https://www.salemreporter.com/2023/11/07/82-of-salem-voters-reject-city-payroll-tax/
[31] TriMet. n.d. “Payroll and Self-Employment Tax Information.” Accessed October 3, 2024. https://trimet.org/taxinfo/

## Considerations

**Summary of Top Considerations:** Like income taxes, payroll taxes can generate substantial revenue, but equity concerns remain. Payroll taxes can be regressive, affecting lower-income workers more since the taxes are a flat percentage of wages. Experience in Oregon shows cities may need to forego future flexibility in how the revenue can be used with a predefined funding objective so that there will be greater public support.

**Exhibit 10. Considerations for Payroll Tax**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate substantial revenue, especially in cities with a large number of businesses and employees. Though tax rates are low, revenue potential is large because the tax is applied broadly. |
| **Stability** | • | Can fluctuate with economic conditions. In a downturn, layoffs can reduce revenue. |
| **Versatility** | • | Available examples in Oregon show that payroll taxes are intended to fund specific purposes. |
| **Capacity for Growth** | • • • | Will generally grow over time as the local economy expands. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Generally applied consistently across similar businesses. Employers, regardless of size, contribute proportionately to their payroll. |
| **Vertical Equity** | • | A flat percentage of wages and does not scale with the employee's ability to pay. Lower-income workers may feel a greater burden relative to their income if there is not a tiered tax structure. |
| **Nexus** | D | A strong nexus when revenues are used to fund services that directly benefit workers (e.g., public transportation, workforce development). |
| **Administrative Ease** | | |
| **Implementation** | • • | Relatively easy to administer, as they can be integrated into existing payroll processing systems. Requires careful coordination with state tax authorities to ensure compliance and coherence. |
| **Collection** | • • • | Once established, the tax can be efficiently collected. |
| **Enforcement** | • • • | Compliance rates are typically high due to automated deductions. Enforcement costs are lower compared to taxes with requiring filings. |
| **Other Considerations** | | |
| **Neutrality** | • • | Minimal impact on economic behavior, as they are based on wages rather than business profits or consumer spending. Can lead to reduced hiring, lower wages, or a greater shift towards automation, particularly in industries with thin profit margins. |
| **Political Feasibility** | • • | Can face opposition from businesses and communities concerned about increased costs. Still, payroll taxes are not as salient as income taxes. Also, specifying programs that will be funded with the revenue makes it easier to garner support. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# TAXES ON PROPERTY

Property taxes constitute the largest portion of most cities' revenues, aside from government transfers. Property tax revenue is limited by Measures 5 and 50 and goes into the general fund. However, local jurisdictions can pursue additional levies and create financing mechanisms backed by property taxes to fund local investments.

An important consideration with any property tax in Oregon is the long-term effects of Measure 50. Property is taxed on its assessed value, which differs from a property's market value. A property's assessed value cannot grow more than 3 percent each year (with some exceptions). However, (a) market value fluctuates with economic cycles, (b) it has historically grown more than 3 percent per year for most properties, and (c) the pace of change can vary within a neighborhood. Now, two homes in the same neighborhood with similar market values may have dramatically different assessed values and property tax assessments, creating an inequitable tax system.

**Additional Resources**

FAQ on Measures 5 and 50 (League of Oregon Cities, 2023). For more information about the measures, compression, assessed values, and real market values.

Local revenue tools covered in this section are:


- Local Option Levies (page 51)
- Special Districts (page 53)
- Local Improvement Districts (page 55)
- Economic Improvement Districts / Enhanced Service Districts / Business Improvement Districts (page 57)
- General Obligation Bonds (page 61)
- Tax Increment Financing (page 63)

Goods and Services

Taxes on Income

Fees and Charges


# Property Tax 101

Oregon's property tax system operates within constitutional limitations voters approved through Measures 5 and 50. They created a framework that limits tax growth while introducing complexities like compression and tax disparities tied to assessed values for individual properties.

Measure 5, passed in 1990, introduced constraints on property tax levies. It capped property taxes at $10 per $1,000 of real market value for general government services and $5 per $1,000 for education services.

In 1997, Measure 50 created:

- **A permanent tax rate limit** for each taxing district that cannot be changed by the district or its voters. Voters can approve temporary levies (i.e., local option levies) to exceed the permanent tax rate.
- **An assessed value** for each property, which (a) is distinct from the **real market value**, (b) is used to calculate property taxes for each property, and (c) cannot grow more than 3 percent each year, though exceptions apply for new constructions and major improvements. (Measure 5 limits still apply to the real market value.)

Assessed values were smaller than real market values in 1997, and for most properties the gap between the two values widened over time as property prices grew faster than three percent per year. Depending on when properties were built and how the local market changed since 1997, similarly priced properties can have very different assessed values. For example, a house built in 1995 may have an assessed value significantly lower than a similar house built in 2005 has, even if their real market values are similar today. This can create inequities in how much property taxes people pay for similar properties.

When the calculated property taxes exceed these limits, a process called **compression** reduces the final tax bill. Compression proportionately reduces levy rates until the taxes are within the Measure 5 limits. Local option levies and special district assessments are compressed first, and they must be reduced to zero before any compression is applied to permanent rate levies. General obligation bond levies are not subject to compression.

In communities where compression loss is more significant, it can be difficult for overlapping taxing districts to secure adequate revenue. New levies can trigger compression and proportionately reduce property tax levies of overlapping districts. Compression forces taxing jurisdictions to compete for a limited pool of funds, compounding the challenges faced by local governments.

While Oregon's property tax system provides predictable tax bills for taxpayers, it restricts local governments' ability to respond to inflation, growth, and rising service demands. The reliance on assessed values rather than real market values and the limitations imposed by compression hinder local governments' ability to meet growing needs, resulting in funding gaps for critical public services.

## Local Option Levies

A local option levy is a time-limited property tax (5 years for operating levies, 10 years for capital levies). It requires voter approval and is charged in addition to permanent property tax rates. Levies are subject to Oregon's Measure 5, which may limit the levy's effectiveness due to compression risks. Overlapping taxing districts could see reduced revenues if the combined tax rate exceeds constitutional limits.

> **Compression** is the reduction of tax assessments to stay within the limitations imposed under Measures 5. If layering tax rates of various jurisdictions leads to a tax assessment greater than $10 per $1000 of real market value ($5 per $1000 for education), the tax rates are "compressed" or reduced proportionately. Compression calculations are complex and completed annually for every property to determine taxes imposed. Compression risk is generally low when market values (which fluctuate with market cycles) are high relative to assessed values.

**Rationale:** Local option levies can be a targeted funding solution for specific services. It can bridge budget gaps that are often associated with property tax limitations.

**Who pays:** All property owners within the city limits

**Statutory reference:** ORS Chapters 280.040 to 280.145

### Examples

**Corvallis City Livability Services Local Option Levy:** In 2023, Corvallis passed a local option levy with 66.5 percent voter support. The levy generates about $6 to $7 million annually to support operations of the public library and the Parks and Recreation Department and provide grants for local social services. The levy is a renewal of a 2019 Livability Levy and will cost taxpayers the same amount ($1.07 per $1000 of assessed value).[32]

**Gresham Fire and Police Levy:** In 2024, Gresham passed a local option levy focused on public safety to correct an $8 million budget shortfall.[33] The levy passed on the second attempt after a 2023 levy failed by a narrow margin. In the second campaign, Gresham invested in a public outreach process to understand the cost thresholds for voters, discovering that the original ask of $1.50 per $1,000 of assessed value was too large.[34] The 2024 levy passed at $1.35 per $1,000 of assessed value.

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[32] City of Corvallis. n.d. "November 2023 – City Livability Services Local Option Levy." Accessed October 2024. https://www.corvallisoregon.gov/cm/page/november-2023-city-livability-services-local-option-levy
[33] Multnomah County. 2024. "Ballot Measure 26-247 – City of Gresham." March 23, 2024. Accessed October 2024. https://www.multco.us/elections/news/ballot-measure-26-247-city-gresham
[34] Multnomah County. n.d. "Ballot Measure 26-239 – City of Gresham." Accessed October 2024. https://www.multco.us/elections/ballot-measure-26-239-city-gresham

## Considerations

**Summary of Top Considerations:** Local option levies can generate moderate to high revenues. Their limited duration makes voter approval critical because there is reassurance of a periodic reassessment of the levy's need and effectiveness. However, the lack of permanent funding can make it risky for cities to fund critical public services.

**Exhibit 11. Considerations for Local Option Levies**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate moderate to high revenues, typically for operating expenses for specific services. Levies have been especially useful for budget shortfalls associated with property tax limitations. |
| **Stability** | • | Limited to the levy's duration (typically five years). Levy renewals depend on voter approval, and non-renewal could create funding gaps for essential services. If compression occurs (Measure 5), local option levies are the first to be reduced. A new levy increases the risk of compression for the new levy and for all other levies. |
| **Versatility** | • • | Limited to the voter-approved purposes. |
| **Capacity for Growth** | • | Growth over the five-year levy lifespan is probable, but assessed value does not keep pace with the rising costs of public services. Increases to the levy rate at renewal may face voter hesitation. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Properties with similar assessed values pay a similar tax rate, but properties with similar *real market values* may pay different rates. |
| **Vertical Equity** | • • | Higher-income households do not always pay more because the tax is based on property values, not incomes. |
| **Nexus** | **D** | Depends on the public service funded. While emergency and public safety services benefit the broader community, other targeted services (e.g., libraries, transit, etc.) may only directly benefit a subset of taxpayers. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires periodic voter reassessment every five years. |
| **Collection** | • • • | Relatively seamless as it uses the existing property tax collection system, avoiding additional administrative costs. |
| **Enforcement** | • • • | Straightforward since the property tax collection mechanisms are already in place, and non-payment issues can be handled in the same manner as other property taxes. |
| **Other Considerations** | | |
| **Neutrality** | • • • | A single levy is unlikely to influence decisions to move. But prolonged property tax increases can discourage home purchases or investments in areas where taxes are perceived as high. |
| **Political Feasibility** | **D** | Public support will depend on the use of the levies, recently voter-approved funding measures, and other issues on the ballot. |

• • • = Key advantages

• = Considerable limitations

• • = Some limitations or exceptions

**D** = Depends

# Special Districts

A special district is a form of local government created to address specific community needs, such as fire protection, water supply, or parks and recreation. Special districts are funded through local revenue sources like property taxes or service fees, collected from residents within the district, which can extend beyond a city's boundary. Unlike city governments that deliver a range of services, special districts focus solely on delivering one designated service. Oregon has 34 types of special districts tailored to provide specialized services not covered by their general-purpose governments.[35]

> Creating a special district can raise concerns about **compression**. Overlapping taxing districts may receive less revenue if a new special district triggers compression.

**Rationale:** Special districts provide dedicated funding for services that fall outside the city's core responsibilities, capabilities, or capacity. By establishing a special district to provide a specific service, a city no longer has to cover the cost of that service with its limited resources, freeing up more funding for the city to spend on other services.

**Who pays:** Residents and businesses through property taxes or service fees

**Statutory reference:** ORS Chapter 198

**Additional resources:**

- What is a Special District? (Special District Association of Oregon)
- Special District Formation & Membership with SDAO (Special District Association of Oregon)

## Examples

Some special districts are funded primarily by property tax revenues, while others are funded primarily by charges for services. Below, is an example of each:

**Tualatin Hills Park & Recreation District (THPRD)** is funded mostly through **property taxes,** but the district also recovers some costs through fees (e.g., event rentals and program fees). The district provides recreational services and programming to the greater Beaverton area. It is the largest special parks district in Oregon, serving over 270,000 people and spanning 50 square miles.

**Deschutes Valley Water District** uses a **fee for service model** to deliver water and water infrastructure near Madras, Oregon. Their mission is to "provide safe and good tasting drinking water at a reasonable cost" to existing and future district residents.[36] (For more information about fees for services, refer below within the *Fees and Charges* section.)

[35] Special Districts Association of Oregon. n.d. "What is a Special District?" Accessed October 2024. https://www.sdao.com/what-is-a-special-district
[36] Deschutes Valley Water District. n.d. "Our Mission." Accessed October 2024. https://dvwd.org/

## Considerations

**Summary of Top Considerations:** Special districts can effectively fund singular or specialized service needs. For special districts primarily funded by property taxes, there may not be a strong nexus between who pays and who benefits. For special districts primarily funded by service fees, the nexus is strong. Special districts may be supported by the public because they may address unmet, existing demand for services. That support may not be as strong if a special district would take over responsibility for a service that a city is already providing.

### Exhibit 12. Considerations for Special Districts

This table focuses special districts that generate revenues through property taxes. For special districts that rely on fees for service, refer to considerations within the *Fees and Charges* section.

| Compatibility with Budgeting Needs | | |
|---|---|---|
| **Adequacy** | • • • | Can generate substantial revenue from a broad array of properties. |
| **Stability** | • • • | Provides reliable long-term funding once the district is established. |
| **Versatility** | • • | Typically focused on specific services, but can fund a range of related activities, such as library or parks programs. |
| **Capacity for Growth** | • | Do not keep up with inflation or rising costs of services, possibly leading to additional pressures on the district or the city. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Properties with similar assessed values pay a similar tax rate, but properties with similar *real market values* may pay different rates. |
| **Vertical Equity** | • • | Higher-income households do not always pay because the tax is based on property values, not incomes. |
| **Nexus** | **D** | Not all taxpayers use services equally. For example, a park district may fund amenities that some residents rarely use. But well-maintained parks can enhance property values and community wellbeing, benefiting all. |
| **Administrative Ease** | | |
| **Implementation** | • | Requires significant setup to form a governing board, establish budgets, and ensure compliance with state laws. Ongoing management involves regular budgeting, reporting, and coordination with other governmental entities or service providers. Requires voter approval for a new levy. |
| **Collection** | • • • | Collected through the existing property tax system. |
| **Enforcement** | • • • | Property tax based special districts are integrated into the established property tax enforcement mechanisms. |
| **Other Considerations** | | |
| **Impact on Behavior** | • • • | Typically have a localized effect, raising costs for property owners in specific areas without impacting overall property demand. |
| **Political Feasibility** | **D** | Will require a vote to increase taxes. Special districts are generally supported when they align with clear community needs, but they may face opposition, especially if they result in new taxes or perceived service duplication. |

• • • = Key advantages
• = Considerable limitations
• • = Some limitations or exceptions
**D** = Depends

## Local Improvement Districts

Property owners share the cost of infrastructure improvements in Local Improvement Districts (LIDs). The properties in the district are assessed a fee based on their degree of benefit from the improvement using an agreed upon formula that can account for distance from the improvement, property frontage length, and property value, among other factors. LIDs can be initiated either by the property owners themselves or by a municipality.

**Rationale**: LIDs help the city finance infrastructure projects without burdening the general taxpayers. With use of an LID, communities are able to make targeted infrastructure investments that boost property values, where those directly benefiting from improvements pay for them. Property owners may be interested in participating in an LID if they understand the benefits of the improvement and appreciate the benefits of allowing the City to coordinate construction of the project, sharing of costs, and amortizing those costs over a longer timeframe.

**Who pays:** Property owners within the designated improvement area

**Statutory reference:** ORS Chapter 223

**Additional resources:**

- Oregon Municipal Handbook, Chapter 26: Economic Development (League of Oregon Cities, 2022)

### Examples

**City of Albany:** The City provides information on forming local improvement districts on their website.[37] When 80 percent of the benefitting property owners are on board, they can petition the City council to initiate an LID. Their procedures for establishing and implementing an LID are outlined in the Albany Municipal Code Chapter 15. Property owners have the option to make a single lump sum payment or installment semi-annually over 10 years.

**City of Coburg:** In 2011, the City of Coburg established an LID to help finance the construction of the wastewater system. Property owners were charged an assessment at the completion of the project and had the choice of paying in full or monthly or annually over a 10-year period. Interest rates were set at 6.8 percent for annual contracts and 7.0 percent for monthly contracts.[38]

[37] City of Albany. n.d. “Local Improvement Districts.” Accessed October 2024. https://albanyoregon.gov/pw/engineering/local-improvement-districts
[38] City of Coburg. n.d. “LID Assessment.” Accessed October 2024. https://www.coburgoregon.org/finance/page/lid-assesment

## Considerations

**Summary of Top Considerations:** An LID funds a specific need in a defined area. By design there is a clear nexus and sufficient revenue to fund the identified projects. Implementation requires an assessment allocation process to create a fair nexus between who pays more based on who benefits more. Establishing an LID is most often a stakeholder-driven process that requires a majority stakeholder buy-in.

**Exhibit 13. Considerations for Local Improvement Districts**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | With concrete and discrete infrastructure needs identified, fees are set to generate sufficient revenue from property owners. |
| **Stability** | • • | Stable once LID assessments are made. But LIDs are limited to one-time projects rather than ongoing funding. |
| **Versatility** | • • | Can be used for a wide range of infrastructure improvements, but within a limited geographic area and not for ongoing operations. |
| **Capacity for Growth** | • | The revenue is a set amount, not expected to grow since it is tied to one-time projects. |
| **Fairness** | | |
| **Horizontal Equity** | • • • | In theory, structured so that property owners who benefit similarly pay the same amount. But it can be challenging to determine fair LID payments across a larger geography. |
| **Vertical Equity** | • | Cost sharing is typically based on the expected benefit for each property. Does not account for the property owner's ability to pay. |
| **Nexus** | • • • | Strong nexus due to clearly defined boundaries for the improvement area. Must show property owners or businesses within the district directly benefit from the improvements. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires a local ordinance, a public hearing, and majority approval from affected property owners. |
| **Collection** | • • • | Payments in a lump sum or installments are usually made through annual property tax payments. Installment payments are made over a set period, such as 10 years in the example above. |
| **Enforcement** | • • | Late fees and penalties or, in severe cases, foreclosure. |
| **Other Considerations** | | |
| **Neutrality** | • • • | Typically have a localized effect, raising costs for property owners in specific areas without impacting overall property demand. |
| **Political Feasibility** | **D** | Requires property owner approval. Can be susceptible to contention around the proposed assessments. Many communities require property owners to sign a "waiver of remonstrance," which removes the right to object to the LID. These waivers can make it easier to legally approve LID but may lead to greater opposition of the LID. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# Economic Improvement District / Enhanced Service District / Business Improvement District

In Oregon, Economic Improvement Districts (EIDs), Enhanced Service Districts (ESDs), and Business Improvement Districts (BIDs) are distinct tools that allow local governments to enhance specific commercial or mixed-use areas.

- **EIDs** focus on long-term economic development through infrastructure improvements funded by property owners. EIDs require formal property owner support through a petition process under Oregon law (ORS 223).
- **ESDs** fund enhanced services such as cleaning and security and often include both business and property owners in their assessments.
- **BIDs** are business-driven districts where the businesses pay assessments to improve the area's attractiveness and safety. BIDs are similar to ESDs but generally focus narrowly on businesses with services aimed at enhancing the business environment.

While all three tools aim to enhance local vitality, they differ in terms of governance, funding mechanisms, and the scope of services they provide.

**Rationale**: These districts enable targeted investments and services that boost property values and local economic activity, where those directly benefiting from improvements pay for them.

**Who pays:** Property owners and/or businesses in the designated district

**Statutory reference:** For EIDs, ORS Chapters ORS 223.112 to 223.161. ESDs are governed by city code and BIDs are governed by local ordinances.

**Additional resources:**

- Oregon Municipal Handbook, Chapter 26: Economic Development (League of Oregon Cities, 2022)
- Downtown Improvements: Special District Recommendations for Troutdale (University of Oregon, 2020)

## Examples

**Downtown McMinnville EID:** Established in 1986, this EID assesses properties across two zones based on building square footage. The EID operates on a budget of $279,800 annually, funding beautification efforts, marketing, and infrastructure improvements and aligning programs and expenditures with the Main Street Approach.[39]

[39] City of McMinnville. 2019. “Economic Improvement District: McMinnville Downtown Association Quick Facts.” Accessed October 2024.
https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/city_council/meeting/11051/2019_eid quickfacts.pdf

**City of Portland ESDs:** The City of Portland has three ESDs operating in the Central City.[40] Participating property owners pay a fee based on the assessed value of the occupied property. However, property owners often share or pass these fees onto the occupying businesses through lease agreements. The pool of funds is used to promote economic development and fund non-emergency safety teams, transportation access, and graffiti and trash removal.

**City of Cottage Grove EBID:** The City of Cottage Grove established an Economic and Business Improvement District (EBID) in 2001.[41] The EBID operates for five-year increments with the opportunity for renewal at each interval. City Council most recently extended the EBID in 2021 with the next renewal consideration set for 2026. The EID side of the program is paid into by property owners and is assessed by square foot with a set minimum and maximum. The BID aspect of the program was introduced to supplement the EID and is paid into by business owners at a rate of $100 annually.

[40] Downtown Portland Clean and Safe. n.d. "Enhanced Service Districts (ESD)." Accessed October 2024. https://downtownportland.org/about/enhanced-service-districts-esd/

[41] Stewart, Faye. 2021. Faye Stewart to Mayor and City Council. October 20, 2021. "Public Hearing of Five-Year Extension of Economic Improvement District (EID) and Business Improvement District (BID). https://www.cottagegroveor.gov/sites/default/files/fileattachments/mayor_amp_city_council/meeting/packets/14902/5a.pdf

**Exhibit 14. Key Differences Between EIDs, ESDs, and BIDs in Oregon**

| | Economic Improvement District (EID) | Enhanced Service District (ESD) | Business Improvement District (BID) |
|---|---|---|---|
| **Primary Purpose** | Promote economic vitality through infrastructure improvements and marketing | Provide enhanced services like cleaning, security, and graffiti removal | Improve business areas through services like cleaning, marketing, and safety |
| **Funding Mechanism** | Special assessments on **property owners** in a commercial zone | Fees levied on **property and business owners** (and sometimes nonprofits) | Assessments on **businesses**, typically linked to revenue or property |
| **Assessment Base** | Primarily **property owners** within the district | Both **property and business owners** in the district contribute; residential properties may also be included | **Business owners** within the district |
| **Use of Funds** | Capital improvements (e.g., infrastructure, beautification, marketing) | Enhanced services like security, street cleaning, and beautification | Similar to ESDs, focused on ongoing services for businesses |
| **Approval Process** | Requires approval through petition of **33% of property owners** | Created through city council approval and local ordinance | Typically initiated by businesses; may require approval from the city. |
| **Transparency/ Accountability** | Formalized process with public hearings and clear legal guidelines | Criticized for limited transparency and oversight; funds are managed by private organizations | Managed by business associations with some oversight by local government |
| **Duration** | Usually **time-limited**, with defined projects and goals | Ongoing, reviewed periodically by the city (e.g., "sunset review") | Ongoing, as long as businesses continue to fund the district |
| **Governance/ Structure** | Governed by **ORS 223.112 to 223.161**; formal legal structure requiring property owner approval | Governed by **city code** (e.g., Portland); managed by a nonprofit or business association | Governed by **local ordinances** and often managed by business associations |

## Considerations

**Summary of Top Considerations:** EIDs/ESDs/BIDs are versatile funding solutions to shared problems. Effective and well-managed districts have the potential for long-term stability and growth.

**Exhibit 15. Considerations for EIDs, ESDs, and BIDs**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • | Because these tools rely on participants voluntarily taking on added costs, they tend to focus on relatively low-cost projects and programs. |
| **Stability** | • • | Year-over-year assessments generally remain consistent. An ESD and a BID can be renewed indefinitely, but an EID has a term limit of 5 years. Because property and business owners elect to participate on an annual basis, the demonstrated impact of the private investment will partly drive stability. |
| **Versatility** | • • • | Can be used in a range of ways to meet the needs of businesses and properties, including marketing, cleaning, public safety, and infrastructure improvements. |
| **Capacity for Growth** | • • | Growth is possible but not straightforward. Increased rates and less participation from the business/property owners may lead to a net neutral effect. It is more likely if there is a demonstrated need and broadly public support. |
| **Fairness** | | |
| **Horizontal Equity** | • • • | Fees are based on size or value, which ensures fair distribution of costs relative to degree of benefit. |
| **Vertical Equity** | • | A smaller business could pay the same rate as a larger business since a business' size and internal structure are not considered. |
| **Nexus** | • • • | Strong nexus due to the fee structure and geographical limitation. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires a local ordinance, a public hearing, and majority approval from affected property owners or businesses. |
| **Collection** | • • • | Fees can be added to property tax bills or business license fees. |
| **Enforcement** | • • | Non-payment may require administrative effort, which could include liens or other measures depending on the method of collection. |
| **Other Considerations** | | |
| **Neutrality** | **D** | Effective districts can lead to increased sense of collaboration and increased investment. Meanwhile ineffective districts can make participants resistant to further financial contributions or continued support of the formation. |
| **Political Feasibility** | **D** | Requires property owner approval and continued support. The district can be disbanded with property or business owner petitions. |

• • • = Key advantages

• = Considerable limitations

• • = Some limitations or exceptions

**D** = Depends

# General Obligation Bonds

Cities can issue General Obligation (GO) Bonds to finance capital improvements or other projects that do not generate revenue streams. To repay these bonds, cities usually need to establish a reliable revenue source, often through property tax increases, assuring bond holders of the city's capacity to meet its obligations. The maximum amount a municipality can issue in GO Bonds is capped at 3 percent of total real market value (RMV) of all taxable properties within the municipality. There are exceptions for capital construction of water supply, treatment, or distribution; sanitary or storm sewage collection or treatment; hospitals or infirmaries; gas, power, or lighting; and off-street parking facilities.

**Rationale:** GO Bonds can generate substantial funding for capital investments and provide stable, predictable funding for large capital projects while distributing the cost over many years, ensuring that both current and future residents benefit from the improvements.

**Who pays:** Property owners within the city limits

**Statutory reference:** ORS Chapters 287 and 287A

**Additional resources:**

- Guide to Borrowing and Bonds for Oregon Municipalities (League of Oregon Cities, 2018)
- Oregon Bond Education Center (Oregon State Treasury)

## Examples

**City of Bend:** Voters passed a $190 million Transportation Bond Measure 9-135 in November 2020. The GO Bond funds congestion relief and transportation safety projects. To enhance transparency and accountability, Bend introduced a Bond Oversight Committee, a public involvement process for project selection, and a dashboard.[42] The City will release a series of bonds until 2030 and expect to repay all debt by 2050. The bond is expected to cost households an average of 47 cents per $1,000 of assessed value.[43]

**City of West Linn:** Voters approved a $20 million GO Bond in 2018[44]. The bond was passed to improve roads, parks, and public facilities. The average levy across the bonding period is expected to be 42 cents per $1,000 of assessed value. The city's program webpage hosts a map with all bond projects and their status, project details, and project financials.

[42] City of Bend GO Bond Dashboard. n.d. "2020 GO Bond Program Overview." Accessed October 2024. https://bendoregon.maps.arcgis.com/apps/instant/portfolio/index.html?appid=8fce11a4ace747e9bd222f0df1230646

[43] City of Bend. n.d. "2020 Transportation GO Bond – Thank You Voters!" Accessed October 2024. https://www.bendoregon.gov/city-projects/safe-travel

[44] City of West Linn. n.d. "2018 General Obligation (GO) Bond Projects." Accessed October 2024. https://westlinnoregon.gov/go-bond

## Considerations

**Summary of Top Considerations:** GO Bonds can generate substantial funding for capital investment; however, passing a GO Bond requires careful campaigning and public education on the nexus between personal cost and personal benefit.

**Exhibit 16. Considerations for General Obligation Bonds**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • • • | Can generate substantial funding for capital investments. |
| **Stability** | • • • | Financing with a bond provides a structured and predictable mechanism for funding large-scale capital projects, with repayment through dedicated revenue streams such as property taxes. Unlike permanent rate or local option levies, general obligation bond levies do not have a fixed rate. So, even if property values were to decrease, a city can increase the tax rate as necessary to ensure annual bond payments are made. |
| **Versatility** | • • | Can be used for a wide range of infrastructure improvements, but not for ongoing operations. |
| **Capacity for Growth** | • | Bond amounts are set prior to voter approval. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Fixed tax rate that does not vary by property size or other considerations other than value. |
| **Vertical Equity** | • | Can disproportionately burden low-income property owners in high-value areas. |
| **Nexus** | **D** | Depends on the specific project. For instance, there is a clear nexus if the GO Bond funds new transportation infrastructure or public safety facilities the entire community benefits from, justifying the broad-based property tax to repay the GO Bond. |
| **Administrative Ease** | | |
| **Implementation** | • | Requires bond issuance and management. Public education and outreach campaigns are critical to successfully passing a bond. |
| **Collection** | • • • | Revenues are collected through the existing property tax process. |
| **Enforcement** | • • • | Part of property tax enforcement mechanism. |
| **Other Considerations** | | |
| **Neutrality** | • • • | GO Bonds are generally well-received if they are tied to essential projects. However, higher property taxes may deter prospective homebuyers, especially during economic downturns. |
| **Political Feasibility** | **D** | Bond topics can be contentious or marred with misinformation and opposing campaigns. This political contention is especially risky on topics with a more ambiguous nexus between the taxpayer and the beneficiary (e.g., affordable housing bond). |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# Tax Increment Financing

Cities across Oregon use Tax Increment Financing (TIF) to spur redevelopment and revitalization in areas of disinvestment. TIF revenues are based on increasing assessed value of an urban renewal district. The growing assessed values lead to increased property tax revenues, which are used to fund infrastructure and development projects in the district. Once the improvements are complete and any debt is repaid, the increased tax revenues are returned to the general tax rolls.

TIF revenue can only be used to pay for debt service on projects that are identified in an adopted urban renewal plan, and those projects must be located within the geographic boundary of the plan area. ORS 457 identifies the general powers of urban renewal agencies and type of projects and programs that may be funded with TIF. Allowed uses are extensive as long as they relate to economic development or housing provision.

**Rationale:** TIF is an attractive revenue option because of its unique ability to generate revenue without increasing or adding new taxes. TIF is one of the few revenue tools that facilitate place-based economic development and redevelopment projects, especially at this scale.

**Who pays:** Property owners within the designated TIF District. However, the real cost of TIF is borne by overlapping taxing districts who forego their growth in property tax revenue from within urban renewal areas.

**Statutory reference:** ORS Chapter 457

**Additional resources:**

- A complete list of Oregon TIF districts and detailed statistical tables for those districts are available in the Oregon Department of Revenue's annually published Oregon Property Tax Statistics reports.
- Best Practices for Tax Increment Financing Agencies in Oregon (Oregon Economic Development Association, 2019)
- FAQ on Urban Renewal (League of Oregon Cities, 2018)
- TIF State-by-State Map (Council of Development Finance Agencies)

## Examples

**McMinnville Urban Renewal Area:** The City of McMinnville adopted their Urban Renewal Plan in 2013, which encompasses two areas: Downtown and NE Gateway District. McMinnville has leveraged their incremental tax revenues to complete street improvements, property assistance, facade improvements, and public-private developments.

**Medford City Center Revitalization Area:** The City of Medford established an Urban Renewal Area in 1988, which encompasses two zones: Downtown and South Gateway. Medford's Urban Renewal Agency leveraged incremental property taxes to establish a parking system, improve the public realm and public amenities, locate institutional amenities in downtown, and facilitate development through public-private partnerships.

**Molalla Urban Renewal Area:** The City of Molalla adopted an urban renewal plan in 2008—and subsequently amended it in 2020—to implement the Molalla Downtown Development Plan and the Oregon Highway 211 Streetscape Plan. Goals and objectives are to create family-wage jobs, increase property values, diversify the economic base, and enhance overall community appearance and livability. They also include partial funding for public facilities such as a fire station, a public training facility, a city hall, and a community center.

**Sisters Urban Renewal Area:** The City of Sisters adopted an urban renewal plan in 2003—and amended it in 2022—to strengthen downtown as a commercial and cultural center. In addition to public infrastructure investments and property redevelopment, the City is providing direct assistance (loans and grants) and partnering with local property owners and tenants to retain the western frontier architectural theme that the city is known for.

**South Corvallis Urban Renewal Area:** Established in 2019, this Urban Renewal Area is focused on rectifying long-term disinvestment, addressing food deserts, and creating a neighborhood commercial center. Early projects have included integrating local agriculture in schools, property improvements, business incubation grants, and scoping a food cart pod.

## Considerations

TIF is a unique and effective tool for funding capital projects related to economic development and housing. The ability to generate revenues without raising taxes makes it politically attractive. However, the limitations on geography and the limited-duration nature of the tool can be restrictive. Additionally, overlapping taxing districts may oppose the use of TIF, as it impacts their future property tax collections. TIF can also take several years to "ramp up" financial capacity to be able to invest in significant projects. Importantly, TIF or "urban renewal" has a tarnished history of being used to displace vulnerable populations, and care should be used to ensure the tool is used responsibly.

**Exhibit 17. Considerations for Tax Increment Financing**

| Compatibility with Budgeting Needs | | |
|---|---|---|
| **Adequacy** | • • • | Can produce substantial revenues for capital projects over time (most districts are established for a period of 20 or more years). Can take five or more years to produce meaningful levels of revenue. |
| **Stability** | D | Externally driven and dependent on successful TIF management. With careful planning and implementation, grows progressively more stable over time. |
| **Versatility** | • • | Though limited to the specified district and capital projects, it is a flexible gap funding resource. |

| | | |
|---|---|---|
| **Capacity for Growth** | D | Growth is dependent on demand and is ultimately capped at a 3% annual growth (see Measure 50). If demand for services, goods, and property increases in the TIF, so do the values and subsequent tax revenues. Therefore, the TIF districts' managing entity should be careful in selecting catalyst projects that drive interest and demand in the area. If the area has surplus public land, the land can be sold and create windfall to the tax roll, expediting growth. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Properties with similar assessed values pay a similar tax rate, but properties with similar *real market values* may pay different rates. |
| **Vertical Equity** | • | While redevelopment has specific benefits, it can also have unintended outcomes like cultural and physical displacement. Increases to property values and taxes has a greater effect on lower-income households and households with fixed incomes. The TIF governing body and TIF plan need to be keenly aware of at-risk groups and the local cultures and assets that should be preserved or enhanced as they generate increment and direct funds. |
| **Nexus** | • • • | Benefits and costs are tied to a specific geographic area. However, the actual nexus can be muddied by poorly selected projects. While costs can be confined to a geographic boundary, benefits can spillover beyond the district, creating an opportunity for skepticism of the nexus between who pays and who benefits. To avoid this, projects are tailored to benefit the immediate community. |
| **Administrative Ease** | | |
| **Implementation** | • | Standing up a TIF district is a technical lift, making it a time intensive endeavor. It requires a TIF Plan adoption process. Some cities have charter provisions that require a public vote to enact a new TIF district. Cities must establish an urban renewal agency to administer TIF districts. These agencies have their own separate requirements for public meetings, budgeting, and annual reporting. |
| **Collection** | • • • | Revenues are collected through the existing property tax process. |
| **Enforcement** | • • • | Part of property tax enforcement mechanism. |
| **Other Considerations** | | |
| **Neutrality** | • • | TIF related improvements and incentives can attract investment in the area. However, investing over $750,000 of TIF directly into a capital project can trigger prevailing wage requirements, which can increase overall project costs by 10% to 20%. This surcharge can discourage some developers from developing in the TIF District. |
| **Political Feasibility** | • | Risks political friction from the perception that they benefit developers more than the community, they divert funds from other taxing entities, or they favor future residents more than current residents. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

# FEES AND CHARGES

Cities charge a variety of fees to raise revenue for specific services. Because general revenue does not tend to keep up with increase in cost of service, cities are increasingly relying on fees and charges to supplement their property taxes and other revenues. Fees and charges often make up the second largest source of revenue created within cities, after property taxes. They are usually administered directly by cities.

Local revenue tools covered in this section are:


- Franchise and Utility License Fees (page 67)
- Municipal Services Fees (page 70)
- Fees for Specific Services (page 74)
- Fines and Penalties (page 76)
- System Development Charges (page 79)


Given state limitations on property tax and likely political opposition to local sales and income taxes, cities often turn to fees and charges to fill the gaps in their budget needs. Fees tend to disproportionately burden lower-income individuals. There are many variations in fees and charges.

Goods and Services

Taxes on Income

Taxes on Property

## Franchise and Utility License Fees

A franchise fee or a utility license fee (ULF)—sometimes also called a right-of-way (ROW) fee or a privilege tax—is effectively a tax on a utility company's gross revenue for the privilege of using the public rights-of-way (like streets and sidewalks) to install and maintain infrastructure such as pipes, wires, and poles. Often these fees are separated for electricity, natural gas, and telecommunication service providers.

**Rationale:** The primary purpose of a franchise fee or a ULF is to compensate the city for the company's use of public infrastructure and space. It is a regulatory charge for utilities operating within the city's boundaries. It can cover administrative costs of regulating the utility or be used as a general revenue source.

**Who pays:** Utility providers, who pass it on to utility customers[45]

**Statutory reference:** ORS Chapter 221

**Additional resources:**

- Franchise Agreement Survey Report (League of Oregon Cities, 2019)
- Franchise Fees (League of Oregon Cities, 2019)
- ROW Usage Fees (League of Oregon Cities)
- Telecommunications Tool Kit (League of Oregon Cities)

### Examples

**City of Hermiston** passed a resolution to raise ULFs—from 3 percent to 5 percent in most cases—and dedicated a portion to fund street projects in 2018.[46] In 2024, the City passed a resolution to reallocate these funds to the general fund (and lower the amount of funds transferred to the Street Reserve Fund) in order to address budget shortfalls.[47]

**City of Gresham** passed a 3 percent increase to its ULF in 2020, bringing the total rate 10 percent, effective July 1, 2021. The City estimated a monthly increase of about $3.11 per PGE customer.[48] The revenue increase will pay for core services such as police, fire, and parks, with a small amount set aside for the City's streetlight program.

**City of Milwaukie** also approved a 3 percent increase in its ULF in 2024, bringing the total rate to 11 percent, effective July 1, 2024. The City estimated typical residential PGE bill to increase by $5.41 per month and typical residential NW Natural bill to increase by $2.77

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[45] ECONorthwest. 2022. *Prosper Portland Revenue Evaluation*. September 13, 2022.
[46] McDowell, Jade. 2017. "Hermiston Council raises franchise fees to pay for street projects." *East Oregonian*, September 12, 2017. Accessed November 5, 2024. https://www.eastoregonian.com/news/local/hermiston-council-raises-franchise-fees-to-pay-for-street-projects/article_93f231da-38f3-5d93-aa9a-d5c15a39e3f4.html
[47] City of Hermiston. 2024. City Council Meeting. Monday, January 8, 2024. Accessed November 5, 2024. https://www.hermiston.gov/citycouncil/page/city-council-28
[48] City of Gresham. n.d. "Utility License Fees." Accessed November 5, 2024. greshamoregon.gov/Utility-License-Fees/

per month. The revenue will pay for core services support by the general fund, including programs related to climate and equity.[49]

**City of Woodburn** passed a ULF in 2021, charging utility companies five percent of gross revenue except for telecommunication companies, which are taxed at 7 percent.[50]

## Considerations

**Summary of Top Considerations:** Franchise fees and ULFs can generate consistent revenue that comes from a broad base and is stable over the long term. But there are uncertainties about federal rules and definitions around internet services, which can impact future revenue growth. Although they are relatively easy to implement, they disproportionately impact affect lower-income households.

**Exhibit 18. Considerations for Franchise Fees and Utility License Fees**

| Compatibility with Budgeting Needs | | |
|---|---|---|
| **Adequacy** | D | Depends on the size of the utility company and the fee rate. In principle, a broad tax base (i.e., utility customers) enables substantial revenue generation. |
| **Stability** | • • • | Stable, as they are both tied to essential services that residents consistently use, regardless of economic conditions. |
| **Versatility** | • • • | Often unrestricted and can be used for a range of municipal purposes beyond infrastructure. |
| **Capacity for Growth** | • • | Can increase with rising utility rates, population growth, or new franchise agreements, but they are constrained by market saturation and regulatory limits. In particular, changing federal rules and definitions around internet services can impact the growth of this revenue. |
| **Fairness** | | |
| **Horizontal Equity** | • • • | Applies uniformly to all utility users, regardless of individual differences; similar utility users pay the same fees. |
| **Vertical Equity** | • | Can disproportionately impact lower-income households that spend a larger portion of their income on utilities. Jurisdictions could consider providing energy assistance to offset a rate increase, structured around an income test for residents.[51] |
| **Nexus** | • | All utility customers pay, but it is unclear who would the benefit. General fund can be used for programs with broad benefits or for programs with targeted benefits. |

[49] City of Milwaukie. n.d. “Utility license fee increase for electricity and natural gas.” Accessed November 5, 2024. https://www.milwaukieoregon.gov/finance/utility-license-fee-increase
[50] Pierson, Heather. 2020. *Council Bill No. 3138. Resolution No. 2162.* November 9, 2020. www.woodburn-or.gov/sites/default/files/fileattachments/public_works_projects_amp_engineering/page/12871/res._2162_-_right_of_way_utility_license_and_usage_fee_rates.pdf
[51] Qualifying residents may apply for Low-Income Home Energy Assistance Program (LIHEAP) funding up to twice per year. In addition, the Oregon Energy Assistance Program (OEAP) is available year-round. Residents may also qualify for an Income-Qualified Bill Discount or private Oregon Energy Fund assistance

| Administrative Ease | | |
|---|---|---|
| **Implementation** | • • | Can include a contract negotiated by a city and its utility providers, or an ordinance approved by a city council.[52] In either case, the agreement often outlines the rate charged, terms and conditions, and any special services provided.[53] ULFs are generally used as a regulatory charge for utilities operating within the city's boundaries. |
| **Collection** | • • • | Typically based on a percentage of the utility's gross revenues earned within the municipality. For example, a city might impose a 3% franchise fee on all electricity sales within its limits. Telecommunications franchise agreements are one of the largest sources of revenue generated in a city's right of way.[54] ULFs are often based on a flat fee, a per-connection charge, or a percentage of the utility's revenue. |
| **Enforcement** | • • | Requires monitoring and auditing utility companies. Non-compliance can lead to penalties or suspension of franchise rights. ULF enforcement requires regular reviews of licenses and financial audits, with penalties for non-compliance such as fines or revocation of the license. |
| **Other Considerations** | | |
| **Neutrality** | • • • | Typically passed on to consumers, but leading to little behavior changes. |
| **Political Feasibility** | • • • | Likely supported because people either do not perceive a direct cost, believe the fee system is fair, or the fees are small. Jurisdictions may face opposition from utility companies who provide services across overlapping jurisdictions, where not all jurisdictions have franchise fees.[55] |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

[52] League of Oregon Cities. *2019 Franchise Fee and Right-of-Way Survey Report*. December 13, 2019. Accessed October 5, 2024. https://www.orcities.org/application/files/7615/7669/0101/2019FranchiseFeeROWSurveyReport12-13-19.pdf
[53] Ibid
[54] Ibid
[55] Malee, Patrick, 2015. "OC Franchise Fees Legal, Judge Rules." *West Linn Tidings*, July 16. Accessed October 10, 2024. https://www.westlinntidings.com/news/oc-franchise-fees-legal-judge-rules/article_f0d71c79-bdad-5e17-a14e-d5d34c2ba67c.html

# Municipal Services Fees

Local governments charge various municipal service fees to raise revenues from utility customers. Municipal services fees are also called city services fees, multi-purpose fees, operations fees, systems operations fees, or utility fees.

**Rationale:** Municipal services fees can create a dedicated funding source for city services such as emergency services, parks, and maintaining and operating transportation infrastructure. Generated revenue can reduce reliance on less predictable funding from state and federal sources.

**Who pays:** Utility customers

**Statutory reference:** Municipal service fees are implemented through ordinances. But some city charters have been amended to require voters' approval for new municipal services fees.

**Additional resources:**

- Street Utility Fee (League of Oregon Cities, 2019). LOC maintains a list of cities in Oregon that have TUFs and other fees related to street maintenance.
- Establishing Government Charges and Fees Best Practices (Government Finance Officers Association)

## Examples

**Common Municipal Services Fees in Oregon**

- **Operations Fee:** A city operations fee is a flat fee that is collected through existing utility bill systems and is based on account type.[56] Salem collects a City Operations Fee which is a separate utility bill fee to continue existing emergency, library, park maintenance, social, and other essential services. This flat fee is collected through City utility bills based on the type of account, not based on property value.[57]
- **Emergency Service Fees:** A flat fee mechanism for 9-1-1 dispatch services, which can be calculated on a per-door or site size basis. The fee appears on a municipal utility bill and varies based on a building's meter size. Salem, Corvallis, Gresham, Jacksonville, and Medford all have fees that pay for fire services.
- **Public Safety Fee:** A flat fee that is added to residents' utility bills for public safety funds such as Police Officer Positions and general Public Safety Fee Funds. The City of Corvallis charges a monthly public safety fee that appears on the city services

[56] City of Salem. n.d. "Utility Rates and Other Fees." Accessed October 10, 2024. https://www.cityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees
[57] Ibid.

bill.[58] Revenue goes towards staffing and additional levels of service for law enforcement and fire staff. In 2019, Sandy established a monthly public safety fee.[59] Newberg also charges a monthly flat rate public safety fee.[60]

- **Streetlight Fee:** This fee covers the cost to operate, upgrade, and expand municipal streetlights. Costs include electricity, maintenance, and installation. Fee structures are typically charged to utility accounts and are based on customer category. Medford and Toledo are two of many cities that charge a streetlight fee.[61,62]
- **Street Maintenance Fee**: Levied on utility bills, this fee funds the repair and maintenance of city streets. The fee is usually a flat rate, based on the type of property (residential, commercial, or industrial) and helps cover the costs of maintaining roadways, reducing the need for extensive future repairs. Cities in Oregon have adopted TUFs, including Ashland, Brookings, and Corvallis.[63]
- **Parks and Recreation Fee:** These fees support the maintenance and operation of city parks, recreation facilities, and programs. The revenue helps cover the costs of upkeep, improvements, and expanding recreational offerings. Medford charges a Parks fee on a per unit, per month basis.[64]
- **Urban Forestry** is collected to support a City's urban tree canopy and maintenance. Corvallis charges an urban forestry fee that supports the city's urban tree canopy maintenance.[65]

**Enterprise Activity Services/Utility Fees**

- **Stormwater Management Fee:** In addition to being levied on properties, stormwater fees are sometimes added to utility bills. They help fund the maintenance of stormwater drainage systems, reduce runoff, and prevent flooding.
- **Wastewater Fee** is collected to support a City's wastewater infrastructure and operation.
- **Water Fee** is collected based on usage to pay for City water services and related infrastructure.

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[58] City of Corvallis. n.d. "Police and Fire Public Safety Fees FAQ." Accessed October 15, 2024. https://www.corvallisoregon.gov/finance/page/police-and-fire-public-safety-fees-faq
[59] City of Sandy. n.d. "Public Safety Fee." Accessed October 15, 2024. https://www.ci.sandy.or.us/police/page/public-safety-fee
[60] City of Newberg. n.d. "Understanding Your Bill." Accessed October 12, 2024. https://www.newbergoregon.gov/finance/page/understanding-your-bill
[61] City of Medford. 2023. *2023 Master Fee Schedule*. July 1, 2023. Accessed October 15, 2024. www.medfordoregon.gov/files/assets/public/v/1/finance/documents/2023-master-fee-schedule-7-1-23.pdf
[62] City of Toledo. n.d. *Master Fee Schedule*. Accessed October 12, 2024. https://www.cityoftoledo.org/media/10531
[63] League of Oregon Cities. n.d. "Street Utility Fee." Accessed October 20, 2024. https://www.orcities.org/resources/reference/topics-z/details/street-utility-fee
[64] City of Medford.
[65] City of Corvallis. n.d. "City Service Fees: 2024 Rate Adjustment." Accessed October 10, 2024. https://www.corvallisoregon.gov/cm/page/city-service-fees-2024-rate-adjustment

## Considerations

**Summary of Top Considerations:** Municipal service fees can generate new revenues that are stable and broadly applied. They are usually implemented through existing utility bills to an existing utility customer base. Some cities require voter approval. Flat fee structures lead to disproportionate burden on lower-income households. Exemptions, discounts, and tiered rates may mitigate the equity concerns.

**Exhibit 19. Considerations for Municipal Service Fees**

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | **D** | Can be sufficient for recovering costs with proper rate-setting of the fee. Some cities may intentionally undercharge to address equity concerns. |
| **Stability** | • • | Less stable than property taxes, but more predictable than income taxes. |
| **Versatility** | • • • | Versatile within the scope defined by the city council. |
| **Capacity for Growth** | • • • | Can grow with population and employment. Cities can adjust the rates. |
| **Fairness** | | |
| **Horizontal Equity** | **D** | Varies based on fee structure. Some fees are charged in proportion to use of service, others may be flat or scaled within category of customers. |
| **Vertical Equity** | **D** | Can disproportionately impact low-income households. Many cities offer discounts for low-income customers to mitigate this.[66] |
| **Nexus** | **D** | Typically used to pay for a specific service; cannot be used to pay for other services. However, some cities may not dedicate the revenue and support their general fund instead. The fee rates can vary by customer type (e.g., residential, commercial, industrial). |
| **Administrative Ease** | | |
| **Implementation** | **D** | Depends on the city's basis for assessing the fee. Developing the methodology for setting a fee can be challenging. Some city charter amendments require approval from voters for raising new fees. |
| **Collection** | • • • | Integrated into monthly utility bills. |
| **Enforcement** | • • • | Enforcement is relatively standardized to fit existing utility bill enforcement regulations. |
| **Other Considerations** | | |
| **Neutrality** | • • • | Generally do not alter consumption or behavior patterns. |
| **Political Feasibility** | **D** | Usually politically feasible. An ordinance is required to implement a new municipal service fee, and fees are typically reviewed annually by staff and city council. But some cities require voter approval. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

[66] City of Corvallis. n.d. "City Services Billing: Low-Income Assistance Program." Accessed October 12, 2024. https://www.corvallisoregon.gov/finance/webform/city-services-billing-low-income-assistance-program

**The considerations for this guidebook focus on municipal services and fees**, not rate-setting for utility fees. To review considerations around water and sewer rate setting and fee structures, review the GFOA Establishing Government Charges and Fees Best Practices framework. A list of factors to consider when developing charges and fees should include:

1. What are applicable laws and statutes regarding charges and fees?
2. Are formal policies in place articulating pricing factors or rationale for any subsidies?
3. What is the full cost of providing the service (both direct and indirect)?
4. Are rates periodically reviewed and updated?
5. Are long-term forecasts and plans consistent with the decision-making in the rate setting process?
6. How will the public be involved in the fee-setting process, and how will the public be informed of the result?

# Fees for Specific Services

Fees for specific services are tied to a specific activity or use. Examples include planning and building permit fees, park facility rental, and parking fees. Service fees help cover the costs of city operations, maintenance, and infrastructure development.

**Rationale:** Service fees help cities maintain financial sustainability without burdening general tax revenues and are less susceptible to economic fluctuations. Cities implement service fees to promote cost recovery and encourage efficient use of resources.

**Who pays:** Residents, visitors, and businesses

**Statutory reference:** ORS Chapters 56.140 to 56.206 for business license authority and associated fees. ORS Chapter 227 for administrative fees for activities like permitting, planning, and zoning.

**Additional resources:**

- Establishing Government Charges and Fees Best Practices (Government Finance Officers Association)

## Examples

**Common Fees for Specific Services in Oregon**

- **Building and Permitting Fees:** Cost usually depends on the value or scope of the project/application. Includes development review and permit fees
- **Business and Liquor License Fees:** Cost is typically a flat fee and renewed annually.
- **Fees For Use/Rent:** Flat fee charged per unit of use (hour, day, etc.) for parking, event spaces, and parks and facility rentals, etc.
- **Parks and Recreation Fees:** Charged per resident per activity/class/event.
- **Permitting Fees:** Cost usually depends on the value or scope of the project/application.
- **Public Works:** Fees can be charged per project, or per connection.
- **Water and Sewer Fees:** Fees are usually charged for each account based on meter usage per month or per quarter.
- **Miscellaneous Service Fees:** Costs to cover various administrative fees.

## Considerations

**Summary of Top Considerations:** The benefits and implementation challenges of fees for specific services depend on each fee. Some can cover cities' costs of providing the services, others are too small to cover administrative costs. These fees are usually easy to adopt and generally have a strong nexus because they are charged on specific service users. However, they disproportionately impact lower-income individuals.

**Exhibit 20. Considerations for Fees for Specific Services**

| Compatibility with Budgeting Needs | | |
|---|---|---|
| **Adequacy** | D | Some fees fully cover service costs, while others cover just a portion of the costs. |
| **Stability** | D | Fees for core city services can provide stable revenue. Other fees may fluctuate with economic cycles. |
| **Versatility** | • | Most fees are earmarked for specific uses, limiting their flexibility. |
| **Capacity for Growth** | D | Depends on fee structure, allowance for indexing to inflation, and city growth trajectory. |
| **Fairness** | | |
| **Horizontal Equity** | • • • | City service users pay the same fee for the same service each time they use the service. |
| **Vertical Equity** | • | City fees typically do not consider people's ability to pay, which disproportionately impacts lower-income individuals. |
| **Nexus** | • • • | Strong nexus because they are directly related to service provision. |
| **Administrative Ease** | | |
| **Implementation** | D | Some can be easy to implement, especially for pre-existing systems and services such as utilities, planning, and public works. Complex fee structures are more administratively challenging. |
| **Collection** | D | Easy if a city already has an existing online collection system (e.g., parking, utilities, permits). Small, one-time fees (e.g., library late fees) can have high administrative costs that outweigh the fee amount. |
| **Enforcement** | D | Some fees have existing enforcement mechanisms that are straightforward (shut off policies, ticketing). Other fees can present enforcement challenges: 1) Enforcement options may not be worth the effort for low-value transactions and 2) Development-related fees can sometimes create legal disputes (especially with development and impact fees) requiring legal and administrative resources. |
| **Other Considerations** | | |
| **Neutrality** | D | Fees for core city services are not likely to impact the use of the services. Some may avoid some city services if the fees are high. |
| **Political Feasibility** | • • • | Many cities have successfully implemented specific service fees. They are usually reasonably justified because only those who use specific city services are charged. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

## Fines and Penalties

Fines and charges are fees imposed for specific services or penalties for violations. Examples include parking fines, or service charges for recreational facilities. They are designed to cover costs associated with services the jurisdiction provides or discourage undesirable behaviors.

**Rationale:** Fines and charges can be a flexible revenue source that directly links payment to specific services or regulatory enforcement. They also offer a mechanism to offset costs related to maintaining public amenities or managing public behavior. While they often do not generate large revenues individually, they can provide meaningful contributions to a city's budget in aggregate or when layered with another revenue source to support enforcement.

**Who pays:** Residents, visitors, and businesses

**Statutory reference:** ORS Chapters 221 and 223, for example.

### Examples

**City of Hood River** introduced in 2016 stricter regulations and enforcement mechanisms for short-term rentals (STRs) to address community concerns. Violations of these regulations can result in fines, warnings, or license revocation. If an STR operator violates the rules, they face immediate penalties, especially if three or more infractions occur within 12 months. The penalties for short-term rental violations include fines of $250 to $500 per day for each violation, with potential license suspension or revocation for repeated offenses.[67]

**City of Portland's** fixed photo radar program, implemented as part of its Vision Zero initiative in 2016, targets high-crash streets to reduce dangerous speeding and enhance road safety.[68] Portland's fixed photo radar system has improved traffic safety, resulting in a 94 percent decrease in top-end speeding (11+ mph over the limit) at monitored locations. In 2021-22, the system issued over 55,000 citations, with fines ranging from $170 to $440 each. That year, the program generated $1.3 million in net revenue after costs. The revenue generated is reinvested in traffic safety measures, supporting Portland's Vision Zero initiative to reduce traffic-related injuries and fatalities.[69]

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[67] City of Hood River. n.d. "Ch. 5.10 Short-Term Rental Operating License: Penalties." Hood River Municipal Code. Accessed October 7, 2024.
[68] Portland Bureau of Transportation. n.d. "Speed and Intersection Safety Cameras." City of Portland. Accessed October 7, 2024. https://www.portland.gov/transportation/vision-zero/safety-cameras
[69] City of Portland. n.d. 2021-22 Preliminary Legislative Report: Fixed Photo Radar System. Accessed October 7, 2024. https://www.oregonlegislature.gov/citizen_engagement/Reports/Portland%202021-22_Preliminary%20Legislative%20Report_Fixed%20Photo%20Radar%20System.pdf

**City of Newberg** installed its first red light traffic cameras in October 2024. The Newberg City Council approved the contract for camera installation at Villa Road and Highway 99W in Winter 2023 following traffic data from studies that began in 2017.[70,71]

Other examples of fines and penalties are:

- **Traffic and parking fines** for speeding, red-light and stop sign violations, illegal parking, and expired parking meters.
- **Public safety and nuisance fines** for noise, disorderly conduct, illegal fireworks, and animal control.
- **Building and property code fines** for zoning and building code violations, Short-term rental violations, and overgrown lawns or failure to maintain property.
- **Environmental and health fines** for illegal dumping or littering, Improper waste disposal (e.g., recycling violations), smoking in prohibited areas.
- **Utility and administrative fines** such as utility late payment penalties, library late return and lost book fees, and fines for failure to obtain permits (e.g., for space rentals or construction).

## Considerations

**Summary of Top Considerations:** Fines and penalties are typically inadequate for long-term budgeting due to their unpredictability and instability, with revenue fluctuating based on enforcement rates and economic conditions. Also, they disproportionately impact lower-income individuals. Graduated fee structures and income-based penalties can help address these equity concerns. Fines have a strong nexus and can deter future offenses.

[70] City of Newberg. 2023. "City Council for 12/18/23." December 18, 2023. Accessed November 18, 2024. https://www.newbergoregon.gov/citycouncil/page/city-council-121823

[71] City of Newberg. 2024. "Official Press Release: Red Light Cameras Come Online, Only Warnings First Thirty Days." October 4, 2024. Accessed November 5, 2024. https://www.newbergoregon.gov/citymanager/page/official-press-release-red-light-cameras-come-online-only-warnings-first-thirty

### Exhibit 21. Considerations for Fines and Penalties

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | • | Typically inadequate for long-term budgeting, as they generate unpredictable and often limited revenue. |
| **Stability** | • | Can be unstable, often fluctuating based on enforcement rates and economic conditions. For example, during economic downturns, cities may see an increase in violations but a decrease in individuals' ability to pay. Moreover, revenues from fines and penalties should decrease if they are effective at improving compliance with law. |
| **Versatility** | D | Usually flexible to use, but for some fines, this depends on political considerations and legal restrictions. |
| **Capacity for Growth** | • | Excessive increases can lead to public resistance, equity concerns, and reduced compliance. Legal constraints and enforcement challenges also restrict revenue growth. |
| **Fairness** | | |
| **Horizontal Equity** | • • | Individuals with violations pay equally based on their offense. However, enforcement and other factors can disproportionately affect certain groups. |
| **Vertical Equity** | • | Typically regressive because they represent a larger share of income for lower-income households. To mitigate this, cities can consider graduated fee structures or income-based penalties. |
| **Nexus** | • • • | Strong nexus because they are directly related to violation. |
| **Administrative Ease** | | |
| **Implementation** | • • | Investment in infrastructure (e.g., speed cameras, parking meters) or systems for tracking and managing violations is necessary to ensure effective implementation. |
| **Collection** | • • • | Automated systems (e.g., online payment portals) can streamline fine collection, reducing the need for in-person processing. Issuing citations promptly and providing multiple payment options can enhance compliance. |
| **Enforcement** | • • | Accurate and timely payment may require some work. Many jurisdictions impose escalating fines for repeated offenses. |
| **Other Considerations** | | |
| **Neutrality** | •* | The threat of escalating fines for repeated offenses often results in improved compliance over time by making non-compliance more costly. Fines need to be large enough and enforced to encourage future compliance. |
| **Political Feasibility** | D | May be perceived as a revenue-generating tactic. Public support hinges on the perceived fairness of enforcement, such as whether fines target behaviors that impact community safety (e.g., speeding, illegal parking). Transparency around the use of collected revenue can increase political viability. |

*Fines and penalties that work well are intended to influence behavior (i.e., not fiscally neutral).

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

## System Development Charges

System Development charges (SDCs) are one-time charges on new development (and, in some cases, redevelopment) to fund capital costs associated with infrastructure. SDCs may also be used for costs associated with compliance with the SDC statutes and for repayment of debt service (including financing costs). In other states, these may be referred to as "impact fees," connection fees, or capital facilities fees.

SDCs may consist of a reimbursement fee, an improvement fee, or both. A reimbursement fee is based on existing facilities. An improvement fee is based on planned capital expenditures. In many cases, both are needed to fully recover capacity costs needed to serve growth.

**Rationale:** SDCs help pay for the portion of capacity needed to accommodate a development's impact on a municipality's infrastructure system. In Oregon, SDCs can be used for water, storm drainage, sanitary sewer, road and street networks, and parks and recreation facilities.

**Who pays:** Developers

> Although SDCs are directly charged to developers, ECOnorthwest's research shows that the costs are passed on to a mix of landowners, homebuyers, renters, and investors.

**Statutory reference:** ORS Chapters 223.297 to 223.316. Key provisions include:

- ORS Ch. 223.297: Outlines a policy-level framework for local governments using SDCs.
- ORS Ch. 223.299: Defines "system development charge" and its allowable uses.
- ORS Ch. 223.302: Sets forth how local governments can impose SDCs.
- ORS Ch. 223.307: Lists allowable expenditures for SDC revenue (e.g., capital improvements).

**Credits:** In certain instances, cities may require developers to make improvements as a condition of development approval. Oregon SDC statutes require local governments to provide credits for "qualified public improvements" (QPIs). The credits are limited to the cost of the improvements, with some exceptions. Local governments can provide greater credits, provide credits for a capital improvement not identified in the SDC capital project list, and allow developers to transfer the credits.

**Waivers and Exemptions:** Cities may choose to exempt developments they deem to have negligible impacts (e.g., some redevelopments or accessory dwelling units) or because of local policy objectives (e.g., childcare facilities, affordable housing, or economic development projects that meet target levels of job creation).

**Financing Options:** Cities can allow developers to defer or finance the payment of SDCs, which can reduce up-front costs and financing costs for the developer.

**Additional resources:**

- System Development Charges Survey Report (League of Oregon Cities, 2023)
- Oregon System Development Charges Study (ECONorthwest, 2022)

## Examples

**City of Bend** updated its transportation, water, and sewer SDC methodologies and rates in 2024.[72] All three now use a tiered structure for residential rates that differentiates by both housing type and—for single unit and middle housing—tiers of unit size. The City provides exemptions for childcare, affordable housing, and temporary shelters.[73]

**City of Newport** updated its SDC methodology in 2017 to account for growth forecasts, long-range capital improvement projects, and local SDC calculation procedures.[74] Newport uses scaled SDC rates for water, wastewater, stormwater, and transportation, where the rate is based on square footage rather than unit size.[75]

## Considerations

**Summary of Top Considerations:** Many cities rely on SDCs as a critical source of funding for infrastructure to support growth, including water and wastewater systems, transportation improvements, and parks. SDCs are set based on a methodology that considers projected growth and new infrastructure capacity needs. Because SDCs are paid with development, revenue can fluctuate with economic cycles. SDCs can increase the overall cost of development—both residential and commercial—which can make certain types of development harder to achieve.[76]

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[72] City of Bend. n.d. "SDC Methodology Update." Accessed October 23, 2024. https://www.bendoregon.gov/government/departments/community-development/online-permit-center/development-services/system-development-charges/sdc-methodology-update

[73] City of Bend. n.d. "System Development Charges." Accessed November 18, 2024. https://www.bendoregon.gov/government/departments/community-development/online-permit-center/development-services/system-development-charges

[74] City of Newport. n.d. "System Development Charges Rates, 2024." July 1, 2024. Accessed October 21, 2024. https://newportoregon.gov/dept/cdd/documents/FYE25SDCRates.pdf

[75] Ibid.

[76] ECONorthwest. 2022. "Oregon System Development Charges Study: Final Report." https://www.oregon.gov/ohcs/development/Documents/Oregon%20SDC%20Study_FinalReport_121422.pdf

### Exhibit 22. Considerations for System Development Charges

| | | |
|---|---|---|
| **Compatibility with Budgeting Needs** | | |
| **Adequacy** | **D** | Can be a critical component of local funding for infrastructure needed to support growth, especially in fast growing areas. Cities with less development activity may not bring in substantial revenue. |
| **Stability** | **D** | Highly variable depending on development activity. |
| **Versatility** | • • | Restricted to infrastructure projects related to new capacity. But many kinds of projects can be funded within the limitation. |
| **Capacity for Growth** | • • • | Can allow communities to build the infrastructure needed to accommodate orderly growth, making them an important part of Oregon's growth management system. |
| **Fairness** | | |
| **Horizontal Equity** | • • • | Generally consistent for each type of development in a jurisdiction or service district. |
| **Vertical Equity** | • • | Reducing SDCs alone will not improve housing affordability, but SDCs can disproportionately impact middle- and lower-income households by making it more difficult to build lower-cost housing types (e.g., smaller entry-level homes, middle housing, and apartments). Scaling fees by unit size or housing type can mitigate some negative impacts.[77] |
| **Nexus** | **D** | Strong nexus when SDCs pay for infrastructure specifically needed to enable development. Less direct nexus when SDCs fund improvements in areas with less development. |
| **Administrative Ease** | | |
| **Implementation** | • • | Requires some city resources and staffing but relatively easy to administer. Requires developing an SDC methodology based on an infrastructure plan. Administrative costs may be recovered with SDCs. |
| **Collection** | • • • | Collected at building permit issuance, along with permit fees. Offers the greatest certainty of payment with the least administrative effort. Deferrals and financing can increase administrative costs and effort. |
| **Enforcement** | • • • | Hard to avoid payment because permit is not issued until fees are paid and few builders will proceed without a permit. Deferrals can make enforcement more challenging. |
| **Other Considerations** | | |
| **Neutrality** | • • | May discourage development in areas with high fees, impacting growth and housing affordability. |
| **Political Feasibility** | **D** | Support for a tax on new development can be at odds with support for removing barriers to housing production, but it can be more popular than increasing costs for existing residents and businesses. Messaging about SDCs can be tailored to community values and local circumstances. |

• • • = Key advantages

• • = Some limitations or exceptions

• = Considerable limitations

**D** = Depends

[77] Ibid.

**Other Important Considerations:**

- **Cost Recovery:** The 2022 SDC Study highlighted challenges that communities face to charge adequate SDC rates while remaining competitive with neighboring jurisdictions with SDCs. If a jurisdiction does not charge the maximum amount supported by their SDC methodology and intentionally sets the rates low, they are less likely to adequately fund infrastructure upgrades. Phasing in SDC rate increases is a strategy to balance rate increases with staying competitive.
- **Disproportionate Effects on Building Smaller, Lower-Cost Housing:** Communities with strong demand and limited new housing supply are more likely to see rising costs—including SDCs—shift to homebuyers and renters. Many factors affect housing costs, including high land costs and demand from higher-income households. But higher SDCs in this context—severe housing shortage—will likely reinforce other market factors and encourage more expensive housing development. Keeping SDC rates low may be neither politically palatable nor aligned with infrastructure needs, and lower SDCs alone will not improve housing affordability. But when SDC rates are both high and relatively similar among different types and sizes of housing, they can make it even more difficult to build smaller and lower-cost housing.
- **UGB Expansion Areas:** Adequate infrastructure provision is more complex in urban growth boundary expansion areas where the backbone infrastructure (roads, water, sewer) is insufficient. The confluence of high land prices, high infrastructure costs, public sector and community goals for quality redevelopment, and other factors can result in housing or commercial development costs that are too high to be feasible in even a fairly strong real estate market. These factors, along with others, have slowed development in some expansion areas. SDCs alone will probably not be sufficient (or, in some cases, may not be appropriate) to recover infrastructure provision costs in these expansion areas. Other, more creative revenue sources may be needed support expansion area development and/or to ease the cost of infrastructure for lower-cost and affordable housing development and small businesses.
- **Additional Development-Based Funding Strategies:** SDCs are one of many ways to require contributions from new developments. Other tools include local improvement districts (LIDs) (see page 55), exactions, development agreements, and improvements in exchange for additional development rights. There also are other mechanisms where project costs are paid up front by either a developer or the jurisdiction and then recovered from subsequent developments that benefit from the improvements. For example, reimbursement districts allow the jurisdiction or a developer to recoup a proportionate share of capital investments that benefit multiple properties from subsequent development on those properties.

# WORKSHEET

This is a sample worksheet to help with the technical assessment process. Cities should refer to examples in this guidebook and work with stakeholders to fill in this table.

**Exhibit 23. Worksheet for Applying Revenue Tools Considerations**

| | Compatibility with Budgeting Needs | | | | Fairness | | | Administrative Ease | | | Other Considerations | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Adequacy | Stability | Versatility | Capacity for Growth | Horizontal Equity | Vertical Equity | Nexus | Implement-ation | Collection | Enforcement | Neutrality | Political Feasibility |
| **Taxes on Goods and Services ("what you buy")** | | | | | | | | | | | | |
| General Sales Tax | | | | | | | | | | | | |
| Targeted Sales Tax | | | | | | | | | | | | |
| Fuel Tax | | | | | | | | | | | | |
| TLT | | | | | | | | | | | | |
| CET | | | | | | | | | | | | |
| **Taxes on Income ("what you earn")** | | | | | | | | | | | | |
| Personal Income Tax | | | | | | | | | | | | |
| Business Income Tax | | | | | | | | | | | | |
| Payroll Tax | | | | | | | | | | | | |
| **Taxes on Property ("what you own")** | | | | | | | | | | | | |
| Local Option Levies | | | | | | | | | | | | |
| Special District | | | | | | | | | | | | |
| LID | | | | | | | | | | | | |
| EID/ESD/BID | | | | | | | | | | | | |
| GO Bonds | | | | | | | | | | | | |
| TIF | | | | | | | | | | | | |
| **Fees and Charges ("what you do")** | | | | | | | | | | | | |
| Franchise Fees and ULFs | | | | | | | | | | | | |
| Municipal Services Fees | | | | | | | | | | | | |
| Fees for Specific Services | | | | | | | | | | | | |
| Fines and Penalties | | | | | | | | | | | | |
| SDCs | | | | | | | | | | | | |

# CITY OF OREGON CITY

**Staff Report**

625 Center Street
Oregon City, OR 97045
503-657-0891

**To:** City Commission **Agenda Date:** 8/12/2025

**From:** City Manager Tony Konkol

**SUBJECT:**

List of Future Work Session Agenda Items

**BACKGROUND:**

September 9, 2025

Discussion about potential updates to the City Seal and Flag

October - November

Tentative meeting with Confederated Tribes of Grand Ronde

Additional Upcoming Items (These items are in no particular order)

Beavercreek Road Concept Plan (Thimble Creek) Funding Discussion

Canemah Area - Encroachments in the Right-of-Way Policy Discussion

Clackamas County Water Environmental Services (WES) Rate Differential

Climate Action Plan Presentation (City of Milwaukie)

Frog Ferry Informational Update

Inclusionary Zoning options

South Fork Water Board - Mountain Line Easements Vacation

Urban Growth Management Agreement

625 Center Street
Oregon City, OR 97045
503-657-0891

# CITY OF OREGON CITY

## Staff Report

**To:** City Commission **Agenda Date:** 8/12/2025

**From:** City Manager Tony Konkol

### SUBJECT:

Update on City Projects

### BACKGROUND:

The City Commission has requested that an update on the status of the following projects be provided at a work session monthly. The most current update for each project is in bold.

1. Public Works relocation from Center Street
   **Staff is finalizing design and location for the winter response tanks at Fir Street and has entered into discussions with Water Environmental Services to receive sewage materials at the treatment plant to be processed.**

   Staff is in the process of ordering new tanks for the winter response materials, which will be moved from Center Street to Fir Street. Locating the decant facility at the Mt. View yard has been challenging. Staff is investigating alternative locations and/or trucking the sewage materials to an off site location.

   Staff continues to work with the consultant on the location and space planning for the relocation of the remaining assets at Center Street. Staff continues to work to final design for relocation of services from Center Street to other sites. The proposed 25-27 budget includes funding for the decant facility and magnesium chloride and sanding rock facility to be relocated.

   Staff have hired a consultant that has prepared preliminary yard layouts and cost estimates to design and construct a decant facility at the Mountain View Reservoir site. The construction of the decant facility and relocation of existing winter response materials from the Center Street facility to the Mountain View and Fir Street facilities will allow for the Center Street facility to be vacated and a potential new use for the site to occur, which will be determined by the City Commission.

2. Quiet Zone
   **There is no update related to this project.**

Staff continues to work with ODOT, the railroad and the consultant on revised cost estimates, design work and any necessary exceptions to standards.

Geotechnical explorations were completed on December 12. The consultant team is preparing to submit the Design Acceptance Phase (DAP) documents to the City and Oregon Department of Transportation. DAP is similar to 30% concept plans, where all parties buy into the concept and documentation of areas where the project will request exceptions to standards are identified. At the completion of DAP, the project team and move forward with Preparing Preliminary Plans and confirming impacts to private property. We've executed the IGA with ODOT for Right of Way Services.  OC will still need to do a Resolution authorizing Eminent Domain if necessary, once we have a better understanding of the private property impacts.

The consultant team, in coordination with ODOT and the City, are preparing property acquisition documents that will be brought before the City Commission at the December 18, 2024 meeting**.** Survey crews have been performing field work and surveying the project area.  Staff has been meeting with property owners, including Dutch Brothers to try and address the concerns they have about potential driveway closures and access to increase safety near the railroad crossing**.**

The ODOT consultant team is acquiring right of entry agreements from property owners to complete the survey work and will be preparing 30% plans for the project which will include an updated and more accurate cost estimate to complete the work.The selection committee identified a preferred consultant for the Quiet Zone project and ODOT is in the process of negotiating the consultant contract.

ODOT received 2 responses to the Quiet Zone request for proposals. The proposals are being reviewed and scored by staff and a team selection meeting is scheduled for March 8, 2024. ODOT has released the consultant solicitation request for proposals and a date has been set to review the proposals once they have been submitted.

The City has received ODOT's approximately 250-page scope of work and consultant procurement documents which will be reviewed and commented on. ODOT, which is the project manager for the project, has suggested approximately 6 months for the consultant procurement and up to 2 years for the design work, which will include coordination with the railroad, operation and maintenance agreements and review by the railroad. Staff is pushing to expedite the design work timeline.

On December 6, 2023 the City Commission received an update on the estimated cost of the Oregon City quiet zone project with updated inflationary construction escalations added to the original 2019 cost estimate, which was $2.6 million. The new estimate increases the estimated construction cost by $650,000. Based on the additional information, the City Commission approved an IGA with ODOT to begin the Oregon City quiet zone project.

3. Charter Parks

**The City Commission approved several letter to properties owners addressing the existing encroachments. There are 7 properties remaining to be addressed, all of which including parking on the Promenade. It is anticipated that this item will be brought back to the City Commission for review at the September 3, 2025 meeting.**

The City Commission has reviewed the properties and has directed staff to prepare letters to each property owner addressing the encroachments. Staff is preparing the letters and will be bringing them to the City Commission for review and approval at the August 6, 2025 meeting.

The City Commission completed a site visit of the McLoughlin Promenade to review the outstanding encroachments. Staff is anticipating bringing the topic back to the Commission discussion on June 4th.

Based on the January 15th meeting, this item will be brought back for a work session on March 11th. An updated on the status of the properties encroaching into McLoughlin Promenade will be brought to the City Commission at the January 15, 2025 meeting for an update and direction on how to proceed.

Staff continues to contact and meet with property owners that have encroachments into the McLoughlin Promenade to review and explain the license agreement. Staff anticipate bringing an update to the Commission for direction in January/February of 2025. The City Commission reviewing the draft license agreement at the June 11, 2024 meeting.

Staff is working with the City Attorney to finalize draft license agreements to address encroachments that have been identified with the McLoughlin Promenade. A site tour of the McLoughlin Promenade is scheduled for January 8th. Staff is preparing additional options, such as temporary easements, to address existing structural encroachments onto the Promenade property.

Staff has categorized encroachments by type, with associated pictures of the encroachment, and is working to determine options to address the encroachments for the Commission to consider. The McLoughlin Promenade survey has been completed. The survey identified several potential existing encroachments into the Promenade property which will be discussed during a work session. Ermatinger House was approved as a Charter Park by the City Commission. The City Commission voted to not designate Dement Park as a Charter Park.

4. Cayuse 5 Memorial
   **There is no update related to this project.**

   Staff continues to work with representatives from the Confederated Tribes of the Umatilla Indian Reservation and allowing time for internal discussions to occur.

   Staff continues to meet monthly with representatives from the Confederated Tribes of the Umatilla Indian Reservation. The city is awaiting feedback from CTUIR before any additional steps are taken.

   Staff met with representatives from the Confederated Tribes of the Umatilla Indian Reservation and have continued discussions of phase 2 of the Cayuse 5 memorial. Additional discussions between CTUIR and the Confederated Tribes of Grand Ronde will be occurring to discuss the project.

   There are no new updates on this project. A meeting is scheduled for the week of October 7th with representatives from the Confederated Tribes of the Umatilla Indian Reservation to discuss potential next steps.

   The dedication of the Cayuse 5 Memorial took place on June 3, 2024. The first phase of this project is complete. A second phase has been discussed but there are no specifics related to the design at this time.

   Construction of the Cayuse 5 Memorial has begun, and hand dug ground disturbing work is scheduled to begin the week of May 6th.. This work will be completed in coordination with the Confederated Tribes of the Umatilla Indian Reservation and the Confederated Tribes of the Grand Ronde.

   The Cayuse 5 Memorial construction contract has been approved by the City Commission and was awarded to Pioneer Waterproofing Company. Staff has scheduled a pre-construction meeting with Pioneer Waterproofing.

   Staff is working with a potential contractor to review the scope of work and estimated costs to perform the work as identified in the bid notice. The City completed the bid advertisement for the project and did not receive any responses. Staff is currently contacting contractors to determine the concerns with the bid advertisement and/or project.

   The final construction bid documents for the Cayuse Five Tribute have been completed. Below is the schedule for bidding, awarding, and (weather permitting) construction. The Confederated Tribes of the Umatilla Indian Reservation staff will be invited to the pre-construction meeting to coordinate all activities once the project has been awarded.

The land use application for the proposed memorial has been approved. There are no additional land use approvals necessary to move forward with the project. The memorial bid documents are being reviewed internally and staff is working with Confederated Tribes of the Umatilla Indian Reservation staff on the creation of an inadvertent discovery plan that will be included in the bid/contract information. The proposed memorial has been approved by the Historic Review Board and the information was presented to the Parks and Recreation Advisory Committee.

5. Courthouse
   **There is no update related to this project.**

   The County Commission received one proposal for the downtown courthouse redevelopment and will be moving forward with drafting an agreement for the sale and disposition of the property.

   The County Commission is reviewing the proposal for the reuse of the courthouse and is currently accepting public comment. The County has provided the following information: *The Clackamas County Board of Commissioners will hear public testimony on Thursday, May 15 regarding a selection advisory committee's recommendation on a proposal to redevelop the old county courthouse in Oregon City.*

   *Level Development NW's proposal was the only one received during an extensive Request for Expressions of Interest process. The proposal to replace the 87-year-old courthouse with a mixed-use commercial building, which includes approximately 80 residential units, won the committee's approval.*

   *The county expects the current courthouse on Main Street to be fully vacated by September 2025. The replacement county courthouse on the County's Red Soils Campus is set to open the public on May 19.*

   *To learn about the submission and the advisory committee's recommendation, please visit Main Street Courthouse RFEI | Clackamas County.*

   *Public comment on the recommendation will begin shortly after the Board's Business Meeting begins on Thursday, May 15 at 10:00 a.m.*

   A joint Board of County Commissioner / City Commission meeting to discuss the courthouse is tentatively scheduled for the April 8th City Commission work session night.  Oregon City will host the joint meeting. Staff will be contacting County staff to schedule a joint Board of County Commissioner / City Commission meeting and to discuss securing the courthouse once it is vacated.

   The Courthouse committee has met multiple times to discuss the disposition of the Courthouse. The Mayor will provide an update on the committee meetings and next steps. A Courthouse committee has been created by the County and a site visit of the Courthouse has occurred. The first meeting of the committee is scheduled for October 15th.

The Mayor and City Manager met with the Assistant County Administrator to discuss the creation of a joint working group. It is anticipated that the working group will be comprised of 6 to 8 members, including the Mayor and County Chair, with the City and County selecting an equal number of members.

The Mayor and the City Manager met with the County Administrator to discuss the planning and future disposition of the County Courthouse and other buildings associated with the Courthouse on Main Street. The County Administrator proposed a working group led by County Chair Tootie Smith and Mayor McGriff, which would include a small group of interested parties to discuss the Courthouse and make a recommendation to the County Board of Commissioners for their consideration on how to proceed. City and County staff will be meeting to discuss the details of the working group as proposed.

City staff worked to support efforts by the Downtown Oregon City Association to apply for a Main Street grant to focus on the Courthouse located in downtown Oregon City. The grant required the property owner, which is Clackamas County, to sign the grant application, which unfortunately they did not agree to do. At this time there is no specific work being performed related to the future of the existing courthouse.

6. tumwata village

   **Staff is currently in discussion with the State to receive the $12.5 million dollars that were allocated for public access/viewing along the Willamette River several years and has been returned to the State by Metro. It is anticipated that a formal agreement with the State will be brought to the Commission for consideration in August or September.**

   In discussions with the staff from the Confederated Tribe of the Grand Ronde, it was recommended that the joint meeting with the elected representatives from each organization occur in September/October to accommodate the elections that occur in September.

   The Police Department worked with the Confederated Tribe of the Grand Ronde to remove the homeless camp located on the property. Demolition of the buildings damaged by the fire is on-going.

   The Police Department has been in contact with the Confederated Tribes of the Grand Ronde to address a homeless camp that appears to be located on the property. Staff continues to work with staff from the Confederated Tribes of the Grand Ronde to address the impacts from the fire that occurred on the site and the demolition that is occurring.

The Planning Commission approved the Confederated Tribes of Grand Ronde land use application. The Confederated Tribes of Grand Ronde have submitted a land use application to amend the adopted framework plan for the property. The Planning Commission hearing of the application is scheduled for January 27, 2025.

The Confederated Tribes of Grand Ronde provided the City Commission an update at the May 7th work session and the demolition of the office building is nearly complete. A permit has been issued for the demolition of the office building located at the corner of 99E and Main Street. The Confederated Tribes of the Grand Ronde are scheduled to provide an update to the City Commission at the May 7th work session.

Staff continue to meet regularly with Staff from the Confederated Tribes of the Grand Ronde to discuss building demolition, site improvements, and land use planning requirements. The Confederated Tribes of the Grand Ronde are working on site remediation and the demolition of additional buildings on the property.

Willamette Falls Trust and Portland General Electric have signed a Feasibility and Cooperation Agreement enabling the Trust to assess a portion of PGE property on the island on the west side of the Willamette Falls for a project intended to return public access to the area.

In May staff completed a 4-hour site visit with the CTGR staff and consultant team to discuss the demolition that is occurring on the site and begin to discuss the proposed amendments proposed to implement the Tumwata Village Plan for the property. The site visit and discussion focused on infrastructure, design details, development phasing, and an introduction to the goals and objectives of CTGR for the redevelopment of the property. CTGR staff and their consultants have been meeting with City staff to understand specific technical infrastructure issues.

Staff have been meeting monthly with representatives from the Confederated Tribes of Grand Ronde (CTGR) to discuss on-going site work as well as future land use and development plans for the Tumwata Village Plan. CTGR staff has been working with the CTGR Tribal Council and Tribal members to finalize the Tumwata Village Plan. Once approved, the Tumwata Village Plan will be presented to the city and the public.

7. Canemah ROW issues
   **There has been no change in the project since the May 2023 update.** The Canemah ROW issues will be brought before the City Commission at a future work session to discuss how to move forward with this project.